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AGRICULTURE, RURAL DEVELOPMENT AND RELATED AGENCIES APPROPRIATIONS FOR 1981

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT AND RELATED AGENCIES

JAMIE L. WHITTEN, Mississippi, *Chairman*

BILL D. BURLISON, Missouri
BOB TRAXLER, Michigan
BILL ALEXANDER, Arkansas
MATTHEW F. McHUGH, New York
WILLIAM H. NATCHER, Kentucky
JACK HIGHTOWER, Texas
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MARK ANDREWS, North Dakota
J. KENNETH ROBINSON, Virginia
JOHN T. MYERS, Indiana

ROBERT B. FOSTER and CHARLES G. HARDIN, *Staff Assistants*

PART 3

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Agricultural Marketing Service	805

Printed for the use of the Committee on Appropriations

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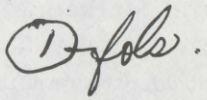

DEPARTMENT OF AGRICULTURE AND RELATED AGENCIES APPROPRIATIONS FOR 1981

TUESDAY, MARCH 4, 1980.

FARMERS HOME ADMINISTRATION

WITNESSES

ALEX P. MERCURE, ASSISTANT SECRETARY FOR RURAL DEVELOPMENT
GORDON CAVANAUGH, ADMINISTRATOR, FARMERS HOME ADMINISTRATION
JAMES E. THORNTON, ASSOCIATE ADMINISTRATOR, FARMERS HOME ADMINISTRATION
JAMES C. ANDERSON, ACTING DIRECTOR, BUDGET DIVISION, FARMERS HOME ADMINISTRATION
STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE
KENNETH E. LATCHOLIA, DEPUTY ADMINISTRATOR FOR RURAL DEVELOPMENT
H. ALLAN BROCK, DEPUTY ADMINISTRATOR FOR FARM AND FAMILY PROGRAMS, FARMERS HOME ADMINISTRATION
JOHN W. ENNEST, ACTING DEPUTY ADMINISTRATOR FOR FINANCIAL AND ADMINISTRATIVE OPERATIONS, FARMERS HOME ADMINISTRATION
JAMES V. LOUGHRAN, DIRECTOR, COMMUNITY DEVELOPMENT DIVISION, OFFICE OF THE GENERAL COUNSEL

AGENCY BACKGROUND

Mr. WHITTEN. The committee will come to order.

We have with us today Mr. Gordon Cavanaugh, Administrator of the Farmers Home Administration, and representing the Secretary, Mr. Alex P. Mercure, the Assistant Secretary for Rural Development.

This committee has been very proud of the many things that it has done in years past to promote rural development. This agency has changed from one that made small farm loans—at one time a person who grew in size to where he had more than two mules and one employee was subject to having his loan called. That is the way we found it way back. We had the job in this committee of helping to liquidate the original Farm Security Agency program where they bought big cooperative farms. The farmers had only an interest in the cotton gin, the company store and the crops that were produced, somewhat on the order of the cooperative farms in the Soviet Union.

We went through all that years ago. This committee has recommended many of the additional programs that you are in better shape to handle than any other agency of the government. We have been largely responsible for the growth of the Farmers Home Administration.

However, in the last few years you have grown away, to a great degree, from the original purposes of Farmers Home. You have targeted loans for this, that, and the other. That is, you have targeted programs to purposes other than the original Farmers Home Administration.

Some of this comes from the experience and background of the employees, or officials at the higher levels. Some of it comes from the change in the times. But a whole lot of it comes from the fact that the Executive Branch has put employment ceilings on you. You no longer are able to supervise those engaged in agriculture and see that they get their money's worth from the proceeds of a loan. You no longer are able to check to see that a man made the progress that he has to make if he is to pay for what he gets and to succeed in farming.

Now days, farming seems to be a small end of your operation. I do not find where you are giving that degree of supervision to the farm borrower that you formerly did nor do you seem to be giving attention to supervision of the loan portfolio. Your efforts have, to a great degree, been shifted over to the housing programs. You seem to have targeted many of your loan programs. To me, that would make for five or six times as much work by reason of keeping all these sets of books. You have been earmarking the appropriation that the Congress has made since we have been making it in round figures.

I pointed out to earlier witnesses that Section 628 of Title 31 of the U.S. Code provides that money shall be spent as appropriated by the Congress and solely for that purpose.

In view of some of the things that have been going on in your agency, it seems that the committee might see fit to recommend to Congress that we line item a whole lot of this so that it be done in line with the intent of Congress.

I will be glad to have your statement. I wish you would touch on this problem that I mentioned.

INTRODUCTION OF WITNESSES

Mr. Mercure, would you like to go first?

Mr. MERCURE. Thank you, sir. At this time I would like to provide for the record the biographical sketches of those witnesses who are appearing before this subcommittee for the first time.

[The biographical sketches follow:]

JOHN W. ENNEST

John W. Ennest received a B.S. degree in accounting from the University of Detroit in 1964 and an M.B.A. degree in Accounting and Financial Administration from Michigan State University in 1965. He subsequently joined the National Bank of Detroit and was assigned ot the Comptrollers Division where he acted in various analytical and managerial capacities, including being Manager of the Profit Analysis Department.

In 1971, he was appointed Vice President and Assistant Comptroller of the National Bank of Detroit, and placed in charge of the Management Controls Group. In 1977, he became responsible for the Financial Accounting and Operations Control Departments.

Mr. Ennest is a member of the Financial Executive Institute; Past President of the Detroit Chapter of the Planning Executives Institute; has been a member of the National Association of Accountants and the Economic Club of Detroit; on the Alumni Board of Directors of the University of Detroit; and has taught in the Evening Division of the University of Detroit.

He authored a chapter to the *Changing World of Banking*, a book published in 1974 by Harper and Row Publishers.

In August 1979, Mr. Ennest was appointed to participate in the President's Executive Exchange Program.

JAMES C. ANDERSON

James C. Anderson joined the Budget Division of the Farmers Home Administration as Deputy Director in December, 1974. For the eight years prior to joining the Farmers Home Administration, Mr. Anderson was a budget analyst and legislative reporting specialist in the Department of Agriculture's Office of Budget and Finance.

A native of Huntsville, Alabama, Mr. Anderson worked on the staff of Senator John Sparkman while attending the American University. He graduated in 1963 with a Bachelor's degree in Business Administration. In 1978 and 1979, he was a participant in the Key Executive Program of the American University, receiving a Master of Public Administration degree in May, 1979.

Mr. Anderson was born on July 16, 1939. He and his wife, Diana, have four children and reside in Virginia.

STATEMENT OF THE ASSISTANT SECRETARY FOR RURAL DEVELOPMENT

Mr. MERCURE. My statement is a very brief one.

We share your conviction that this Agency has done a commendable job over the years in carrying out one of the vital missions that the Department of Agriculture has been given by Congress—that is the rural development process. We also appreciate and accept the interest and counsel which this committee has provided over the years because it has been important to the work of the Farmers Home Administration.

However, as mandated by Congress, Farmers Home Administration is important for serving the interests of small towns and rural places in this country.

SERVICE TO FARMERS

Mr. WHITTEN. Yes, it has been. The point I make is that the Administration seems to want to abolish the RC&D program. They want to cut it out over a period of three years and then recommend some new development program.

This agency was set up to help agriculture. To me, at least, it never has been expected to do other things at the expense of your primary function.

What I am trying to say is this. In recent years it seems that a lot of new programs have replaced your original place in the sun, your original obligation to help the farmer. We have on this committee recommended your agency to be the one that helps in many of these areas. But we do not want this to displace the primary function. I think the day of reckoning is going to come. I don't know how much money you are going to lose in dealing with agriculture. Part of the problem is because of the tremendous amounts that present day agriculture requires, and part of it is by action of the Congress in passing laws without restriction or limitations on the size of the loan. A lot of it comes because some of the top officials are more interested in housing or rural development than they are in their primary obligation which is to help the American farmer produce food for the American consumer. I am afraid that we are letting some of these new programs get in between you and looking after your main job which is to lend

and collect money and help people make a go of agriculture. You are still the Department of Agriculture which some people seem to have forgotten.

Mr. MERCURE. I do not believe we have forgotten it. More than half the loans that Farmers Home makes are directly related to farming. At the same time, the investments in water and sewage systems and some of the community facility programs are very important in terms of providing the kind of health facilities that farm families need for good sound communities.

Mr. WHITTEN. Well water and sewer systems are a little different. And, as I say again, we on this Committee are the ones that changed the word "farm" to "rural" in the law to strengthen your efforts in rural development. But some housing and certain activities that you are now getting into are a little far removed from the original intent. The Committee has gone along with it, but it seems to get a little more and more weighted in that direction at the expense of agriculture.

You might go ahead and present your statement, but I want you to touch on these things if you have not done so in your prepared statement.

EXPANDING THE AGENCY'S MISSION

Mr. MERCURE. The mission of the Farmers Home Administration has been expanded largely by the leadership of Congress in its authorizing legislation. We believe it has been a very important role for the Department to fulfill. Additionally, Congress, in the Rural Development Act of 1972 required that the Department attempt to coordinate rural development activities of all Federal agencies. This has been difficult to accomplish. Nevertheless, because the Farmers Home Administration has a mission in some of these other activities, I think it can play a very crucial role. More recently, the President affirmed the principles that Congress articulated in the Consolidated Farm and Rural Development Act. The Department of Agriculture should provide the leadership in coordinating these activities with other Federal agencies. If one looks at the budget which we are requesting, we are only holding our own in most of these areas.

The President's statement on rural policy and its affirmation of the Congressional intent is an important recognition by the executive branch that we must have balanced development. In that context, all sectors of the economies of rural communities have to be addressed. I think that is what the Consolidated Farm and Rural Development Act intends.

Some areas of concern that we have, however, are that some of the servicing and credit functions that have traditionally been fulfilled, by the Agency, have perhaps not been as well served as they might have. This might have been due to personnel shortages or expansion of responsibilities, but it is our intention to continue to press hard to correct those kinds of imbalances and try to strengthen the administration of the programs.

I think that the Farmers Home Administration, as one of the most critical entities in rural development, can go a long way in fulfilling the wishes that have been expressed both by Congress and the President for strengthening the rural economy, including help for the farmers. To accomplish that, we must have essential public facilities and transportation and more sources of energy.

The budget that has been presented to you maintains the balance that had been struck over the past three years, not really shifting much in the way of total resources, so that our farm lending, our housing lending, our water and sewer lending, and our B. & I. loan programs are maintaining about the same relationship.

I want to assure you that we are just as interested in servicing that portion of our portfolio that has to do with our farm economy as the portfolio that has to do with all of the rest of the responsibilities we have been given.

We recognize, Mr. Chairman, that there has been a decline in the level of servicing of some of the loans and that in some respects, some of the delinquency rates have gone up. That is not something we are terribly happy about. We know that we must concentrate further on those kinds of improvements.

I think the rural development mission that Congress has given to the Department and the Farmers Home Administration is probably well placed. I think that the Farmers Home Administration and USDA have probably the strongest local base to get that accomplished. I think Farmers Home is in the best position to respond to local needs.

That concludes my statement, Mr. Chairman.

OBLIGATION TO FARMERS

Mr. WHITTEN. I thought you needed to say a little more. I looked over your statement. You do not mention "farmer" anywhere. On page five you say "strengthening small farms." That substantiates the reasons for the questions that I asked you. As I say, on page five you say "strengthening small farms," but you don't mention "farmer" at all in your statement. It is not that we are opposed to each of these things, it is a case of having each thing in its proper place. We will get to that in more detail later.

Thank you, Mr. Mercure. Without objection, your entire prepared statement will be inserted in the record at this point.

[Clerk's Note: The full text of Mr. Mercure's prepared statement appears on pages 78 through 82.]

FISCAL YEAR 1980 PROGRAM FUNDING

Mr. WHITTEN. We will turn to Mr. Cavanaugh now.

Before we do, let me ask you this question. You make mention of the President announcing his Rural Development Policy on December 20, 1979, just before Christmas. The money for fiscal year 1980 was appropriated last November. As I pointed out, Section 628 of Title 31 says money shall be spent only as provided by the Congress. So where are you going to get your money for that program?

You are taking money from somewhere else. If I have that statute right, there is no such authority there. Do you plan to implement this program, or is it just conversation and recommendations at the present time? Are you trying to do it with this year's money?

Mr. MERCURE. We are trying, essentially, to accomplish those things which can be accomplished within the budget that was enacted.

Mr. WHITTEN. How can you do it with this year's money when no mention has been made to Congress and Congress has given you no directive to do this? It is out of the blue, so to speak.

Mr. MERCURE. I believe you did ask us in the Consolidated Farm and Rural Development Act, Section 603, to coordinate these activities. We don't propose to add additional budget resources. Everything that we propose to do within those farm——

Mr. WHITTEN. You mean do it within the funds you have?

Mr. MERCURE. Yes.

Mr. WHITTEN. They were appropriated for some other purpose.

Mr. MERCURE. No, sir. They were appropriated directly for the purposes which are specified—working with other agencies that have similar responsibilities and assuring that we coordinate the entire Federal program.

For example, there are at least four different agencies that have some impact on community water and sewage systems. We believe that we can get many of the initiatives that have been identified in the President's message accomplished by making sure that we work together with the EPA, HUD, EDA, and other agencies that are involved to reduce the problem that small communities often have when they have to negotiate with four separate agencies.

We are not proposing to do anything that Congress has not already authorized.

BUDGET RECOMMENDATIONS

Mr. WHITTEN. You recommend to us that we go along with a Rural Development Policy for next year and this is what you would have us do. You would cut farm labor housing by $4,400,000. That is your recommendation. You would cut low-income housing, non-subsidized, by $35 million. You would cut moderate income housing by $353 million. Above moderate income housing you would cut by $225 million. Other cuts—business and industry loans $140 million. Water and sewer grants—$16 million. Rural planning grants—$2 million. Rural fire protection—$3.5 million. Soil Conservation Service—you would cut 460 people. You would cut Public Law 534 and Public Law 566—those are the ones that help prevent floods and help protect the land. RC&D which has proven itself over the years—you would abolish that over a three year period.

Those are your recommendations for fiscal year 1981, but apparently you do not wait for your recommendations to be approved.

Mr. MERCURE. No, sir. We would not do anything for which you had not provided us either appropriations and/or statutory authority.

Mr. WHITTEN. We will discuss this in more detail later. We will now turn to Mr. Cavanaugh. Please introduce your colleagues.

Without objection, your entire prepared statement will be inserted in the record at this point.

[Clerk's note: The full text of Mr. Cavanaugh's statement and a history of the Farmers Home Administration appears on pages 83 through 106.]

INTRODUCTION OF FHA WITNESSES

Mr. CAVANAUGH. Thank you. To Mr. Mercure's right is Mr. James Thornton, Associate Administrator, whom I believe you have met before.

Mr. WHITTEN. Did he succeed Mr. Sprague?

Mr. CAVANAUGH. No, sir. At the change of Administration he became Associate Administrator.

Mr. WHITTEN. Who succeeded Mr. Sprague?

Mr. CAVANAUGH. No one has yet succeeded Mr. Sprague. We have Jack Ennest as the Acting Deputy Administrator for Financial and Administrative Operations.

Mr. WHITTEN. Did he retire because he didn't understand these new programs?

Mr. CAVANAUGH. No, I do not think that is the case. I was talking with Mr. Sprague yesterday and he misses every day that he has been away.

Mr. WHITTEN. That is not entirely an answer to my question. [Laughter.]

You tell him we miss him too.

Mr. CAVANAUGH. To my left is Jim Anderson who is the Acting Director of the Budget Division.

BUDGET SUMMARY

I am pleased to be before this subcommittee once again. As Mr. Mercure has indicated, our budget this year is one of restraint, although in our view, adequate to provide a program of comprehensive service to both farmers and to rural people generally.

The total amount is $10.7 billion, of which better than 95 percent is represented by loans and the balance in grants.

As the Chair has observed, the budget is generally at levels that were approved last year with the exception of the Economic Emergency Program. The major drop in funds tends to be in the housing programs. The Chairman recited those drops in the moderate income and the above moderate income programs and in the business and industrial loan program.

FY 1979 ACCOMPLISHMENTS

Before presenting the details, I would like to tell you briefly of some of the things that we have been involved with over the past year. Fiscal 1979 was another all-time record for one-year's volume of business. Obligations totaled $14.6 billion which were twice those of two years ago.

I would like to reassure the Chairman that the commitment of the Agency to farm credit is still strong and, in fact, in many ways has never been stronger. Last year 53 percent of rural loans from the Agency were to farmers. That is the first time that more than half of the agency's loans have gone to farmers for some period of time. The total amount was $7.7 billion. That $7.7 billion of farm credit surpassed the total of all programs put forth by FmHA two years ago. The remainder of the $14.7 billion was roughly $4.3 billion in housing, $1.5 billion in community programs, and $1.1 billion in industrial loan programs.

A significant drop in lending, to some degree in the 1981 budget, is due to the fact that the full authorization of the Economic Emergency Program has been used and by statute will expire this spring. As I am sure the Chairman knows, there is an extension of that pending before the Congress and it may be restored to our program.

Incidentally, the Economic Emergency Program has served over 60,000 farmers since it was instituted in August of 1978.

UNLIMITED DISASTER LOANS

The Natural Disaster Emergency Loan Program, as you have observed, did serve a certain number of multi-million dollar farm establishments under the legislation as we interpreted it, which was that it had no limits on loan amounts, and it has an eligibility that his historically been broader than that of our farm loan programs. One does not need to be a family farmer to be eligible.

Mr. WHITTEN. This is not the legislative committee, this is the appropriating subcommittee that deals with this subject. But is it your idea that since the Congress in that legislation did not put a limit on the size of the loan that you figured you should just make the sky the limit? I discussed this earlier when this problem arose. I did not see the TV program. I did send and get a copy of the transcript of the program. It struck me that in the case of the man who was extremely wealthy but happened to lose on a particular farm over the year, his assets were tremendous. If I were in your position I would question whether it was intended that he come within the provision of that statute.

I have read the statute and I have to agree with you that I don't see where they have written a limit in it. But it strikes me that using common sense and good management would have imposed some sensible limitations yourself. I am certain you did not intend to invite the Sixty Minutes Program. I am certain of that. From the facts that were unfolded there, it looked like somebody was not trying to give attention to the prime purpose of your Agency. Whoever was responsible should have anticipated that somebody else would have raised the question. That is my reaction.

Perhaps I should ask Mr. Mercure. Was there any discussion about putting on some limits and rules and regulations?

Mr. MERCURE. Yes, sir, there was. In fact, as early as a year ago this past January, we started discussing the problem that a number of our people out in the field were beginning to encounter large-size loans. We were advised that we probably could not impose limits.

Mr. WHITTEN. What in the statute would give you the idea that you could not impose limits?

Mr. MERCURE. Because they were not included in the legislation.

Mr. WHITTEN. In other words, you think Congress would mean for you to if they didn't tell you not to.

Mr. MERCURE. In a sense the Disaster Loan Program was one of those—for example, in subtitles A and B of the Consolidated Farm and Rural Development Act, there are statutory limits on the size of individual farm ownership and farm operating loans. There isn't a limit in the disaster loan program. There is a limit in the economic emergency loan program. We have worked with the committees to introduce limits which bring logic and common sense into the picture. We have anticipated that action and have developed regulations for putting those limits in place. We are administratively proceeding with publication of those regulations. They are out in the field. We are hoping that Congress will back us up on that issue.

There is specific language in the production loss provisions of the disaster loan program that says that we have to pay up to the amount of the actual losses.

PROGRAM IMPROVEMENTS

Mr. WHITTEN. How about the definition of a disaster? If a man has five homes and loses one of them, would that be a disaster? If a fellow had one home and lost it, it would be.

Mr. MERCURE. There were several administrative corrections that we had actually put in place before the Sixty Minutes Program came along, Mr. Chairman.

Mr. WHITTEN. There was nothing wrong with the Sixty Minutes Program except that it enabled you to correct some things that were going on. It called to the attention of the country as well as to this Committee some things that were wrong with the program. What we saw there was new to us in that we had not anticipated that.

When we get letters from home that you cannot meet an obligation because of a shortage of money, it makes us have some realization of why you were short. It is because of these kinds of things.

Mr. MERCURE. We were not happy with the situation we got into in that particular instance, Mr. Chairman, as you know.

Mr. WHITTEN. You might provide for the record what corrections you have made and what your present limitations are and what review you have, if you will.

Mr. MERCURE. We would be very happy to.

Mr. WHITTEN. Without objection, the record will remain open for the purpose of inserting this additional material.

[The information follows:]

IMPROVEMENTS IN THE EMERGENCY LOAN PROGRAM

Farmers Home Administration's revised regulations governing the disaster emergency loan program were published in the Federal Register, February 13, 1980. Copies of the instructions were delivered to local offices approximately 10 days before publication in order for county supervisors and others to familiarize themselves with the changes.

Some of the major changes included:

Establishment of loan ceiling levels—$1.5 million on the emergency loans made for major adjustment and production purposes plus a maximum of $500,000 on emergency actual loss loans made as a result of disasters occurring on or after October 1, 1978.

Reduces the period authorized for receiving subsequent emergency loans from six years to three years.

Restrictions on the use of emergency funds.

Requiring more evidence of the inability of applicants to obtain credit from the private market.

Limiting the time in which applications for production losses can be filed to nine months.

Regulations also more clearly define the relationship between Farmers Home and other agencies offering disaster assistance, including the Small Business Administration and the Federal Crop Insurance Corporation.

Calls for special training and monitoring of teams making disaster loans.

LOAN SIZES

Mr. WHITTEN. Please proceed, Mr. Cavanaugh.

Mr. CAVANAUGH. Not to apologize for or step back from the fact that we should have been able to control those size loans, nevertheless, they really represented about one percent of over 95,000 emergency loans that have been made.

Mr. WHITTEN. You are talking about the number of borrowers. What was the percentage of the money?

Mr. CAVANAUGH. It probably was about up to 10 percent of the money.

Mr. WHITTEN. Ten percent of the money went to help how many people?

Mr. CAVANAUGH. It would have been around 300 borrowers who received a million dollars or more each.

Mr. WHITTEN. About one percent of the borrowers?

Mr. CAVANAUGH. Yes.

Mr. WHITTEN. But about 10 percent of the money?

Mr. CAVANAUGH. Yes. Mr. Chairman.

Mr. WHITTEN. Is it your idea that Congress had any such intent?

Mr. CAVANAUGH. No. As you know, we have sought legislation for imposing limits on the loan size. Congress has acted, at least in conference, on that. The bill has not yet passed.

Mr. WHITTEN. Prior to Congress passing legislation saying you had to, the decision was left in your hands and you failed to exercise it.

Mr. CAVANAUGH. No, sir. We have installed loan limits for the natural disaster lending program.

LOAN INTEREST RATES

Mr. WHITTEN. What is the interest rate that you charge on the disaster loans?

Mr. CAVANAUGH. The interest rate at this point is 10.5 percent on emergency operating loans and 10 percent on emergency real estate loans. The rates are being revised tomorrow to 12 percent for emergency operating credit and 11 percent for emergency real estate loans. Both the economic and the natural disaster emergency loan programs for production credit will be at 12 percent as of March 5.

Mr. WHITTEN. And the prevailing interest rates, according to the press, are 16.5 percent. Is that not right?

Mr. CAVANAUGH. We have two formulas, as you may recall, for setting rates. One is the cost of borrowing to the Federal Government. The other is pegged to "rates prevailing in the private market for comparable loans."

On the programs that we use the Federal cost of borrowing, we have taken the rate from the Treasury. For those that are predicted on private rates, we have sought to develop a composite of rates being charged by members of the Farm Credit System, either the PCAs or the land banks.

Mr. WHITTEN. It has always been a problem—which is natural—that you have some loans where the man falls behind on his payments. Production Credit Associations, which are member-owned, have some people who are in financial trouble and sometimes they can't work it out. You have all the lending institutions who try to push bigger risks off on another agency. Not only that, but you have a constant struggle with the man who is heavily in debt. He is always looking for lower interest rates. Some of the loans discussed on the Sixty Minutes Program—you can see where the difference between the loan rate charged by a private institution and the loan rate he would pay you would amount to a tremendous amount of money. That is probably the reason for this problem.

CREDIT ELSEWHERE TEST

What I am wondering is how did you get around the provision that has applied to your Agency that the borrowers must show they cannot get their money elsewhere incident to securing the low interest rate that you have? That credit elsewhere test evidently was not required in these instances where loans were made to wealthy individuals, according to the transcript that I read.

Is that requirement waived in the law, or did you waive it?

NATURAL DISASTER LOANS

Mr. CAVANAUGH. If I could just precede that by one thing to fill out the interest rate picture, please. The loss portion of the loan in the natural disaster program has been set by statute.

Mr. WHITTEN. Does the law define what a disaster is? Is the disaster applied to the total worth of the individual involved? Or is it a disaster insofar as that particular piece of property being destroyed?

Mr. CAVANAUGH. It is either a physical or a production loss resulting from some natural phenomenon, like rain, frost, and so forth.

Mr. WHITTEN. That qualifies as a disaster even though the man is left with ample assets?

Mr. CAVANAUGH. Where that comes into play is the application of the credit elsewhere test. Can someone who has had such a disaster get credit elsewhere with respect to borrowing operating credit? We have always said that all the person's assets have to be taken into account on whether or not someone can get credit elsewhere.

Mr. WHITTEN. Did you require that with the 300 loans that you mentioned?

Mr. CAVANAUGH. Yes, sir.

If I might add this, we have reviewed those loans very carefully. We find that in most instances our staff in the field did make proper inquiries and pressed for other sources of credit. In many cases they, in fact, were able to develop some private credit for the borrower before we provided any credit. Pursuant to your instructions and our own desires, we have been going over every loan over a million dollars that we have made in this program. We have reviewed all but about 30 or 40 of such loans. In many cases we find that the borrower still cannot get credit elsewhere. In some cases we have determined that they can, and we have been pressing them to do so. In several cases we will take legal action to see that they, in fact, graduate to other credit.

We have imposed loan limitations. We have taken a number of steps that were really being considered within the Department a good time before Sixty Minutes, for example, more rigid documentation of whether anybody could get credit elsewhere. We are now requiring that for all loans over $300,000, three written declinations must be obtained. We have established a common statement of assets for them which the banker must review in making the determination of whether or not they are able to get credit elsewhere.

Mr. WHITTEN. What is the largest loan you made under the conditions?

Mr. CAVANAUGH. It would have been above $10 million.

PERSONNEL QUALIFICATIONS

Mr. WHITTEN. A person at the local level dealing with a $10 million loan—what is his GS rating? What is his salary? What would be his background of experience? I am just raising the question of whether your employee is qualified by training, background, or experience to deal with that kind of a loan.

Mr. CAVANAUGH. These larger loans, particularly coming out of some very complicated farm enterprises in California, present a real problem for our county staffs.

Mr. WHITTEN. That is what I thought. That is why I asked you the questions, but you haven't answered them yet.

Mr. CAVANAUGH. I do not think that the county staffs always have the background to deal with that.

Mr. WHITTEN. These are actual loans that we are talking about. They were approved by actual people. I ask again: What was the salary and the rating of these people who were passing on these loans at the local level?

Mr. CAVANAUGH. The county supervisor who would handle this loan in the first instance would be a GS–11. He is currently paid $20,000. The loan would also be reviewed in the State Office. Most of the loans at a million dollars and above would come into the National Office where they would be further reviewed.

Mr. WHITTEN. Do you have a listing of all these loans?

Mr. CAVANAUGH. Yes, sir.

Mr. WHITTEN. I think it would be well to leave a copy of this with the Committee. It would be voluminous, but I think the Committee would be interested in tracing the history of these in an effort to prevent its recurrence. Involvement in a few mistakes of this kind could hurt your whole program. You would hurt your standing with the public generally, those that pay taxes, and it would limit your ability to meet many other loans where the request is for a far more reasonable amount.

If you would supply that to the Committee, we would be glad to have it.

Mr. CAVANAUGH. We shall, Mr. Chairman.

HOUSING PROGRAMS

Mr. WHITTEN. Please go ahead.

Mr. CAVANAUGH. Just quickly, the housing program produced approximately 110,000 single family dwellings that were either newly constructed or were repaired, or were existing houses that were bought by eligible people during the past year.

Something that I would like to note to the Committee in this. The Housing and Community Development Amendments of 1979 mandate that in the future we provide our funding at prescribed percentages for various levels of median income on an area basis throughout the country. We are working on trying to develop more localized income limits primarily based on those of substate districts within a given State.

It is a complicated process and we are moving as well as we can with it. It is undoubtedly going to call for a number of adjustments which the statute allows.

We pointed out that we are trying to find some ways to serve the lower income people who are being left behind by increasing costs of housing, and also to carry out the Congressional mandate that I just referred to.

Among the tools that we would like to try in that respect is the home ownership assistance program to which Mr. Mercure referred. The Agency feels that this program would help us to go a long way, were it to prove successful, in being able to provide ownership opportunities to lower income people who were beyond the reach of rental housing.

The budget proposes a small pilot for that program that would reach 910 units.

RECAPTURE PROCEDURES

We would also like to point out that we have instituted the recapture procedures whereby subsidies that have been paid to borrowers would be repaid to the Government when the property was resold. All the mortgages since October 1979 have had that provision in them. Some surveys that we have done indicate that we can expect that as those properties are sold, they will recover at least three-quarters of the interest credit subsidy, thus reducing the overall cost of this program to the Government considerably.

ENERGY

Energy is one of the paramount questions in agriculture as well as is housing people decently. It affects virtually every area served by Farmers Home. We are making a vigorous effort to help meet this need through adaptation of our programs and our resources. We have opened our farm and business loans to the financing of both on- and off-farm facilities to make alcohol fuels or biogas, to take practical advantage of solar heating devices, and other energy related measures supporting the President's goals for reducing dependence on imported petroleum as well as conserving and reducing the cost of energy to our borrowers.

We have had workshops throughout the country to better educate our staff in technical information that would assist farmers in production of fuels from grain and other farm materials.

In the housing programs, we have followed up the insulation standards that we talked about last year by developing a so-called home energy index which basically involves a set of plans, ratings, and various recommendations for how one can best build and site a house to be most energy conservative.

We think those regulations, in tandem with the thermal insulation standards and the various passive solar techniques that we are going to incorporate, will go a long way toward both conserving energy nationally and reducing the cost of home ownership and occupancy by our borrowers.

FIELD REORGANIZATION

We will be supplying a report on some of the reorganization in the field. In its simplest terms, the county office was becoming heavily overburdened with the increasing number of programs that have been added to Farmers Home over the years.

We use the district directors and other district personnel to handle the multi-family housing programs, community programs, and some aspects of the business and industrial loan program with the aims that the county office could then concentrate on loans to farmers and to single-family housing needs. Basically, we are trying to find some way to get the Agency back in the posture of being able to give increased supervision assistance and debt collection at the local level.

Also, the movement of the group loans will improve our servicing of those loans. We believe we are beginning to see results in both areas. I can say that most of the Farmers Home staff, as well as the users of the programs, find these two important steps to have made for better and more efficient handling of our programs. It is an important way to help us to do better loan servicing than we have done heretofore.

I would like to salute all those people on the Farmers Home field staff. I think it is amazing what they have been able to do with relatively the same number of staff people that they have had over recent years. They have more than doubled the number of individual loans and grants and just about tripled the number of loans that they make in a year. Their portfolio has risen to over $37 billion with close to a million and a half borrowers to be serviced.

DEBT COLLECTION

Mr. WHITTEN. Mr. Cavanaugh, do you know who you remind me of? We used to have a fellow who ran Commodity Credit Corporation, a $14.5 billion corporation. Years ago he came before the Committee and told us how many of the commodities had disappeared, how many he gave away, and how many went out of condition. You have described all the people that have put all that money out, and you have not said one word about collections.

I tell you why I am asking the question. You recall when you came here this Committee urged that you consider the farmer first. Mr. Mercure made a statement here today and he does not have the word "farmer" in it anywhere. You can see why we on this side have an impression that you are busy scattering out money. You have set up a target system here where you target this, and target that, and they got rid of the money. But, you have not said a word about how much you have collected for the government.

Now, I guess you will since I am asking you.

Mr. CAVANAUGH. You may not have heard me when I was talking about restructuring the county and district offices. A lot of that has resulted in improved servicing and collection on our own loans.

Mr. WHITTEN. You did not say collections.

Mr. CAVANAUGH. I may not have used the word "collections."

Mr. WHITTEN. What can we do to get you back to your prime purpose?

Mr. CAVANAUGH. We think we are very much at the prime purpose. I think some of the changes in the field structure will take us back even further.

I would be glad to report to you on collections. Take the farmer programs, for instance. The percentage of delinquency as of January 1 of this year in the farm ownership program was about 15 percent. Incidentally, I would just like to say generally in the farm lending

programs, the delinquency rate is the highest in January. It continually goes down until the normal rates are reached in September. Historically the rate is always about twice the rate of percentage of delinquency at the beginning of the year as it is from June on through September.

Mr. WHITTEN. Could you supply for the record the number of loans that you have made in agriculture, the amount that has been loaned, the amount that has been repaid, and the amount of the writeoffs? Could you supply that for the record?

Mr. CAVANAUGH. Yes.

Mr. WHITTEN. Without objection, it is so ordered.

[The information follows:]

FARM LOANS

(Farm operating loans, farm ownership loans, emergency disaster loans, economic emergency loans, soil and water loans, irrigation and drainage loans, grazing loans, recreation loans, and Indian land acquisition loans.)

The following data is cumulative from the inception of the programs through September 30, 1979:

Number of loans	6,894,662
Amount of obligated (in billions)	$33.7
Loan repayments (in billions)	$15
Writeoffs (in millions)	$77.5

Mr. WHITTEN. Some years ago we had the head of a local Production Credit Association who every year would say he had 100-percent collection. Just kiddingly, I said, "What you do is lend people next year's money so they can pay last year's bill." I had him. That was exactly what they were doing. Now you are not doing any of that, are you?

Mr. CAVANAUGH. Let us hope not. I am sure that some of the refinancing that is going on has included some of that.

Mr. WHITTEN. Which keeps it from showing up as a delinquency.

Mr. CAVANAUGH. The loans are sometimes rescheduled and reamortized to better fit the farm operation, but it is never our intention to make a loan simply to erase a delinquency.

I have been as strenuous as I can be in emphasizing this to our field staff. We have been very strenuous in trying to make the staff recognize the proper loan-making procedures.

Mr. WHITTEN. We have an obligation here to look after the government's interest. But we also have an obligation to the person that borrowed that money to help him to the degree that you can so that he can pay back the loan and get straightened out and go ahead and make a go of it. May I say that in my own section some of our leading citizens started with a Farmers Home loan. It put them in business. But they were successful because someone did help and guide them. We seem to have forgotten that phase of the program. Nowadays you are dealing with people that are so big that they are going to have to train your employee instead of the other way around.

TARGETING

As I mentioned earlier, in the area of your rural housing programs for the last two years now, you have been targeting your funds toward selected recipients in specific geographic areas. Furthermore, the Com-

mittee has been advised that you are phasing this in over a period of years in order to avoid any sizable funding shifts in any one particular area of the country during a given year. Would you please describe for the Committee just how this targeting works and what you are attempting to accomplish.

Mr. CAVANAUGH. The Farmers Home Administration is targeting its rural housing loan and grant programs to those individuals and areas most in need of assistance. The first stage for implementing policy was to provide a distribution of funds to the States that is equitable and based on targeting formulas that quantify relative need. We believe the current formula equitably distributes the funds, however, FmHA has established a task force to reexamine the validity of the formulas used. Any necessary changes will be made only after first publishing for public comment in the Federal Register. As you noted, the formula distributions are being phased in over a 3 or 4 year period. This transition period is needed to allow FmHA and participating home builders to make program adjustments gradually.

The second phase of our targeting strategy involves the allocation of funds within States. Our State Directors have been instructed to do this, to the extent possible, based on the same targeting criteria as used in the National formulas.

The final phase will be accomplished through the use of loan making priorities to supplant "first come first served" as the basic priority for funding loan applications.

ALLOCATION OF CREDIT

Mr. WHITTEN. In your witness statement you refer to the Housing Act of 1979, which you say directs you to distribute housing credit to rural people of prescribed income levels, with 30 percent to be allocated to families whose incomes are less than half the median family income in their local areas. How are you attempting to do this?

Mr. CAVANAUGH. We are revising our regulations for the Section 502 Home Ownership program to provide priorities for application processing. These priorities, which must be based on objective data are aimed at providing our assistance to those within 50 percent of area median income.

Achieving the goal may be difficult, since the large percentage of Farmers Home's housing program does not include the deep subsidy mechanism needed to reach 50% of median area income in many areas. Subsidized section 502 housing loans, FmHA's largest housing program, does not accommodate the majority of applicants with incomes of less than 50% of median income because even with interest credits lowering the interest rate to one percent, the very low income applicant would not have capacity to repay the loan in most instances. The inclusion of HOAP again in this year's proposed budget is the Agency's response to the realization that in future years another deep subsidy program will be needed to enable the Agency to reach Congress' prescribed level of targeting. Also, HOAP with recapture potentially may prove to be a less costly housing program alternative when compared to subsidized rental housing.

Mr. WHITTEN. What is the workload impact on your Washington and field staff of having to carry out this directive?

Mr. CAVANAUGH. The major staff impacts are related to the complexities of monitoring fund usage. We will have 484 different area definitions within which program use must be controlled. Just the conversion of a computer system to monitor these requirements will have an impact.

The development of clear and objective instructions, published for prior public comment, will minimize any field impact, including that for training. We have already drafted a means for monitoring the 30 percent requirement that will require very limited extra effort. The necessary prioritizing of loan applications will impact on field staff to some degree.

Mr. WHITTEN. When the Housing Act amendments were being written, did your Agency or the Administration request this provision and did you support it?

Mr. CAVANAUGH. The Administration officially opposed both of the amendments. The low-income definition was based on the Housing and Urban Development Section 8 Program which is a deep subsidy program. FmHA's largest housing program even with provision for maximum interest credit does not provide the depth of subsidy to reach, in the majority of cases, the targeted income group.

Mr. WHITTEN. Would you please give the Committee some examples of what impact this provision might have on various sections of the country?

Mr. CAVANAUGH. I will provide for the record two charts showing possible geographic impact. The first is a state average chart using FY 1979 average data. The second is sample areas within the same states utilizing 1980 median income data. The 80 percent of median data is not adjusted as permitted by law. The law permits no adjustments to the 50 percent of median income figures.

[The information follows:]

STATE INCOME AVERAGES (1979 data)

State	80% Median Income	50% Median Income	Minimum Income for 502 Affordability at 1% Interest 1/
Alaska	$16,671	$10,482	$17,580
Arizona	11,670	7,294	9,935
Arkansas	8,790	5,494	8,615
Colorado	11,438	7,149	11,480
Florida	11,352	7,095	8,185
Indiana	12,829	8,018	9,760
Kentucky	9,406	5,879	7,520
Maine	10,622	6,639	12,420
Michigan	13,169	8,231	12,360
Minnesota	11,662	7,289	12,695
Mississippi	7,912	4,945	8,045
Missouri	9,757	6,098	9,630
New York	13,530	8,457	12,925
North Carolina	10,425	6,516	8,400
North Dakota	10,551	6,595	11,210
Oklahoma	10,370	6,481	9,200
Oregon	11,960	7,475	13,290
Puerto Rico	3,350	2,248	5,880
South Carolina	10,126	6,329	7,360
Texas	9,986	6,241	9,700
Virginia	11,476	7,173	9,165

General Observations:

1. New low-income definition (80% of median income, before adjustments) would have varied effect. In many instances limit would be below current $11,200 low income limit resulting in a narrow or non existant income range that meets the affordability parameters for a typical borrower seeking a typical new home.

2. Targeted very low-income borrowers (50% of median income) have virtually no chance qualifying for section 502 interest credit program without HOAP subsidy in most States.

1/ Minimum income for 502 affordability represents the income that would be required to afford an average new dwelling with an average tax and insurance cost in a given State, by a borrower receiving the maximum interest credit subsidy who is contributing 20% of his adjusted income to cover the principal, interest, taxes, and insurance payments on the dwelling.

SAMPLE AREA DATA (updated to 1980)

State	Area	80% Median	50% Median	502 Affordability at 1% Interest
Alaska	Palmer	$17,402	$10,876	$16,950
	Fairbanks	16,227	10,141	15,750
Arizona	Maricopa	14,692	9,182	9,605
	District III	10,231	6,394	9,430
	District VI	12,187	7,617	9,435
Arkansas	West Central	9,541	5,962	9,270
	Southeast	8,846	5,528	9,035
	White River	8,053	5,033	8,075
Colorado	Region 1	12,067	7,541	12,885
	Region 6	10,078	6,299	12,000
	Region 12	14,588	9,117	12,100
Florida	District I	12,378	7,737	7,005
	District 5	9,734	6,084	6,805
	District 8	11,947	7,466	8,925
Indiana	District 1B	12,526	7,828	9,315
	District 7	13,072	8,169	9,370
	District 15	12,221	7,638	9,215
Kentucky	Blue Grass	12,298	7,686	7,565
	Kentucky River	6,474	4,045	8,160
	Pennyrile	10,393	6,495	6,965
Maine	(Statewide)	11,409	7,130	12,435
Michigan	Region 2	15,857	9,910	12,050
	Region 10	12,616	7,885	12,025
	Region 13	10,511	6,569	14,055
Minnesota	RDC-1	11,500	7,187	13,115
	RDC-2	9,781	6,114	12,330
	RDC-IX	12,767	7,979	12,610
Mississippi	Southwest	7,783	4,864	8,255
	South Delta	6,882	4,301	8,250
	East Central	8,179	5,112	8,280
Missouri	Mark Twain	10,966	6,864	10,370
	Ozark Foothills	7,719	4,824	7,900
	Boonslick	11,852	7,408	10,300
New York	District 1	14,079	8,799	13,595
	District 5	12,436	7,773	11,965
	District 7	14,636	9,148	13,285

State	Area	80% Median	50% Median	502 Affordability at 1% Interest
North Carolina	District D	9,113	5,696	8,505
	District I	13,373	8,357	7,370
	District M	10,822	6,764	7,920
North Dakota	District 3	10,722	6,701	10,480
	District 5	12,184	7,615	11,285
	District 8	11,109	6,943	12,065
Oklahoma	Keddo	8,654	5,408	7,720
	Noda	11,916	7,447	9,890
	Coedd	10,456	6,535	9,125
Oregon	District 1	13,042	8,151	14,065
	District 6	12,458	7,786	12,690
	District 8	11,643	7,277	12,295
Puerto Rico	Aguadilla	2,877	1,797	5,895
	Caguas	4,195	2,621	6,255
	Mayaguez	3,594	2,246	5,920
South Carolina	Appalachian	13,442	8,400	7,745
	Waccamaw	9,944	6,215	7,700
	Upper Savannah	8,695	5,603	7,495
Texas	Nortex	10,934	6,833	10,410
	Concho Valley	9,326	5,828	9,335
	Mid Rio Grande	7,810	4,881	9,570
Virginia	District 1	9,575	5,985	8,315
	District 9	11,326	7,078	8,915
	District 22	8,567	5,354	6,570

OFFSET
CAMERA CO.

HOMEOWNERSHIP ASSISTANCE PROGRAM (HOAP)

Mr. WHITTEN. For fiscal year 1981, you are requesting an appropriation of $100,000,000 to implement the homeownership assistance program on a pilot project basis. Under this program you would subsidize 910 homes. How was the figure of 910 homes reached?

Mr. MERCURE. The 910 unit figure was derived by projecting HOAP cost calculations over the full 33 year possible term of the agreements and computing the number of units supported by a $100 million program level. During the budget process the Administration decided to limit the FY 1981 request to a pilot project level because of the nature of the program and the controversy that it has encountered since the enactment of its initial authorization in 1978.

Mr. WHITTEN. $100,000,000 for 910 homes would be approximately $106,000 per home. Would it be cheaper to just give the person the house rather than to provide $106,000 in subsidy?

Mr. CAVANAUGH. The $100,000,000 is a budget authorization figure for the full section 502 term of 33 years. HOAP is for those with incomes too low to otherwise afford section 502 housing. We estimate that 80% of the HOAP costs represent taxes, insurance, utilities and maintenance, and that even given a house, the targeted persons couldn't afford to pay these items. Most borrowers will not stay on HOAP for 33 years. There will be upward mobility, property sale, and other attrition. We estimate that only 25 percent of the borrowers will remain on HOAP for the full 33 year term. The budget estimate for 1981 shows that approximately 50 percent of HOAP subsidy will not be expended. Also, a substantial amount of the HOAP subsidy will be recaptured. In an effort to see the effects of recapture of subsidy, the FmHA conducted a survey of section 502 appreciations in 1979. The survey included a sample of 1167 units which FmHA borrowers actually sold. This sample indicated an annual appreciation rate of 9.4 percent. Of these, 427 sales involved subsidized loans and had sufficient data to compute theoretical recapture. If the recapture provision had been applicable when these loans were made, the Government would have recaptured 73.1 percent of the total interest subsidy advanced. Our recapture estimates for HOAP borrowers are a more modest 25.5 percent, for the units subsidized with HOAP assistance. The recapture of subsidy on HOAP units appears to make the HOAP program less costly than assisted rental housing on a per unit basis. When recapture of interest credit subsidy on the much larger non-HOAP portion of the subsidized section 502 program is considered, the total recapture receipts to the RHIF will most likely be larger than the total HOAP program cost.

We will provide the Committee of the HOAP Handbook which describes the program and its financial implication in greater detail.

Mr. WHITTEN. How many of these people you would propose to assist would be too poor even to live in the house if you gave it to them?

Mr. CAVANAUGH. It is difficult to answer this question since HOAP will begin where affordability with interest subsidy alone ends. There is an income floor. The law requires that 25 percent of income be at least equal to the annual cost of maintenance. Since 80 percent of HOAP costs are for taxes, insurance, utilities and maintenance, it is

apparent that most low income persons, eligible for HOAP, could not afford to maintain a house under any terms.

Mr. WHITTEN. Why do you feel this program is a better approach in rural areas than subsidized rental housing?

Mr. CAVANAUGH. I would say that HOAP is not "better" than subsidized rental housing, it is a complement to subsidized rental housing. HOAP is limited by law and intent to those areas where rental housing is not suitable. We anticipate its use only in situations involving very small communities, open areas on a scattered site basis, and in the case of very large families where rental housing accommodation is not available or practical.

FmHA has made some survey analyses on HOAP and assisted rental housing costs. We have found that, with recapture, HOAP is more economical.

Mr. WHITTEN. Have you considered the possibility of a single housing authority owning a number of units of subsidized rental housing that would be spread out over a large area and be constructed as duplexes or quadraplexes or certainly smaller units rather than a large apartment building?

Mr. CAVANAUGH. We have considered proposals such as this. However, this concept presents many difficulties. It would cause increased construction cost and would make management more difficult and costly. Further, it would present difficulties in providing the social amenities for the tenants of this housing. Due to these reasons we have not pursued this approach.

HOAP VS. MOBILE HOMES

Mr. WHITTEN. As an alternative to the HOAP program have you considered the possibility of funding mobile homes in rural areas?

Mr. CAVANAUGH. The HOAP program is intended to serve very low income households who lack housing alternatives. These households are located in remote rural areas and have such low-income that decent housing under existing programs is not affordable to them. Our preliminary studies of mobile homes indicate that it would provide another housing alternative for borrowers currently being served by our existing programs, but in itself, would not serve the very low-income household unless a subsidy would be provided similar to HOAP. We, therefore, feel that the use of permanent structures and HOAP is the better way to serve the very low-income rural resident when rental housing is not an alternative.

AVERAGE HOAP COST

Mr. WHITTEN. Going back to the HOAP subsidy payments, the figure of $109,890 per unit would, of course, be the average figure. Based on fully-subsidizing the highest priced house you could fund for the full 33 years, what could that cost be?

Mr. CAVANAUGH. The $109,890 subsidy cost per unit represents the Agency's estimated maximum liability to any single unit financed during fiscal year 1981. This figure is provided to show the potential full cost and the maximum fiscal liability of the program. This cost was determined by taking expected 1981 costs for housing, taxes, insurance, utilities, and maintenance plus an assumed borrowers income

that would qualify for the program. These costs and borrower income were then projected over a 33 year maximum life expectancy with cost and income increasing at 7% and 6% respectively each year. It assumes that the borrower will remain on the program for the full 33 years. Studies conducted by FmHA and GAO indicate that this is unlikely to be the case and most contracts would end in about 16 years. Therefore, the average cost would be less than one-half of the maximum liability.

INTEREST SUBSIDY RECAPTURE

Mr. WHITTEN. According to page 7 of your statement, you say that a preliminary survey indicates that the rate of return would be about 73% of interest credit on all of the houses sold this year. How did you compute this rate and what rate of inflation in future years are you considering?

Mr. CAVANAUGH. The estimated return of 73% of subsidy granted is based on a sample study of 427 individual closed files in 133 different county offices representing 38 states. The sample showed that 73.1% of the subsidy granted these borrowers could have been recaptured if current regulations had applied to them. Future projections have, therefore, been made based on the continuation of conditions similar to the past 10 years.

INFLATION ASSUMPTIONS UNDER RECAPTURE

Mr. WHITTEN. You also estimate that 25.5% would be recovered from HOAP borrowers. To what extent does this rely on the inflation rate continuing at current levels?

Mr. CAVANAUGH. This subsidy recapture projection was calculated based on an appreciation rate of 6% for the dwelling and site and 7% inflation for variable housing costs. As you can see they are not "current" rates of inflation, but the assumptions do reflect the possibility that inflation of costs will be greater than the appreciation rate. The estimated recovery of 25.5% will remain true as long as the appreciation value of the dwelling and inflation of cost remain somewhat close to each other.

Mr. WHITTEN. Any of the money recaptured, will that money return to the fund or is it returned to the general fund of the Treasury?

Mr. CAVANAUGH. The authorizing language for recapture does not specifically direct that subsidies recaptured be returned to the general fund of the Treasury or be retained by the Rural Housing Insurance Fund. However, subsidies granted will be secured by the security instrument given by the borrower to the Secretary and are assets of the RHIF. The implication is that the RHIF will be the recipient of the proceeds of recapture in return for relinquishing it's lien on the dwelling. As such, FmHA has assumed that the proceeds from recapture will be retained by the Fund.

DEMONSTRATION HOUSING FOR THE ELDERLY

Mr. WHITTEN. Last August 1, you announced that 10 developers had been chosen to participate in a demonstration housing program for the elderly. Under this program you would provide subsidized

housing as well as meals, housekeeping, and transportation to senior citizens. What is the current situation with respect to the proposal?

Mr. MERCURE. We have moved forward with several of the proposals. The following table summarizes our progress to date:

[The information follows:]

STATUS REPORT
WHITE HOUSE INITIATIVE PROGRAM
FmHA CONGREGATE HOUSING PROJECTS

	STATE	PROJECT NAME	TOTAL COST	FmHA LOAN	AoA GRANT	STATUS / PROBLEMS
1.	CA	Nicholas Tavaglione Beaumont	$1,041,620	$989,540	$85,000	Plans have been approved by the National Office. It appears they have been lost in transit. Project needs fast approval since possible moratorium by community.
2.	NM	Sierra, Ltd.	$1,052,630	$1,000,000	$85,000	Plans have not been approved by National Office. Developer works only with HA and not DO. He has been given deadline of 2/1/80 to submit data or SO will request readvertisement.
3.	NY	Mayville Partnership (This project also has a $150,000 ARC grant.)	$1,205,386	$1,000,000	$85,000	Early Spring construction. Mid-March or soon thereafter. Budget seems high due to management costs. However, expects it to be the trend not exception.
4.	OR	Elkhorn Properties	$1,400,000	$1,330,000	$85,000	Management review is complete. Plans have been reviewed and memo to be sent around 1/29/80. Project is in flood plain but then the entire town is also.
5.	SD	Heritage Courts, Ltd.	$1,053,000	$1,000,000	$85,000	Loan closed 1/9/80. Construction to be done by multiple advances.
6.	IA	Lamoni-Colony HA (This project also has a CF loan for $100,000 for the expanded dining facilities for community.)	$1,060,590	$938,490	$85,000	Bids were let out the week of 1/13 and contracts executed. However, have not received plans back from NO. The SO has requested additional funds from NO for CF loan.

STATUS REPORT
WHITE HOUSE INITIATIVE PROGRAM
FmHA CONGREGATE HOUSING PROJECTS

	STATE	PROJECT NAME	TOTAL COST	FmHA LOAN	AoA GRANT	STATUS / PROBLEMS
7.	MI	Oakwood Manor	$1,050,000	$1,000,000	$85,000	Under construction.
8.	VA	Accomack. Ltd.				This project is having problems in the architectural design which is not acceptable to the NO. All parties concerned are to be called to a meeting at the NO to resolve the problem.
9.	MS	Prestige Plaza				This project is having problems finding an acceptable site. The original site was located in a flood plain. All parties are working towards finding a new one.
10.	VT					This project was readvertised during the of week 1/20/80 due to problems with the original site and the original awardee cancelling out.

ABBREVIATIONS

NO -- National Office
HA -- Housing Authority
DO -- District Office
SO -- State Office
CF -- Community Facilities

INTERAGENCY COST SHARING

Mr. WHITTEN. How is the funding shared between the Department of Agriculture, the Department of Health and Welfare and the Administration on Aging?

Mr. MERCURE. The Department of Agriculture will provide the permanent financing for the project and the Administration on Aging will provide grant funds for the supporting services. Right now we anticipate that each project will require permanent loan funds of about $1,000,000 and supporting grant funds of about $85,000.

Mr. WHITTEN. What is the legislative authority for this project?

Mr. MERCURE. The legislative authority is contained in Section 515 of the Housing Act of 1949, as amended.

FAMILY FARM COOPERATIVE PROJECT

Mr. WHITTEN. Last fall the Committee contacted you with respect to the family farm cooperative project. What is the current status of that project and what funding have you committed to it?

Mr. MERCURE. On August 3, 1979, an interagency agreement was signed for the purpose of coordinating Federal participation in the Family Farm Cooperative Program. The agencies named in the agreement were the Farmers Home Administration, the Economic Development Administration of the Department of Commerce, the Department of Labor and the Community Services Administration.

The Family Farm Cooperative experiment will involve the cooperation of these four Federal agencies, as well as the Ford Foundation, the Southern Development Foundation and other private investors. Over the six year period of the pilot program, the Federal government will invest some $16.7 million. Private and public funds are expected to amount to an additional $33.6 million. The funds from Farmers Home Administration will depend upon the operating needs of the individual participants and be determined by review of specific loan applications under the Farmers Home operating loan program and the business and industrial loan program regulations. It is anticipated that Farmers Home will make loans in the approximate amount of $1,000,000 for these purposes during the first year of the program and similar amounts are anticipated for the remaining 5 year period.

All Federal funds for the program are from existing appropriations and all funding commitments are estimates covering the first year although the agencies recognize that a six year program is contemplated.

RURAL DEMONSTRATION

Mr. WHITTEN. In a press release dated November 27, 1979, you announced that a demonstration program to improve the quality of life for low-income persons in small communities in rural areas in four states had been extended for two years. What exactly is involved in this project, and what are the total funds committed to it, both by USDA and by others?

Mr. CAVANAUGH. The Rural Demonstration project is to assist states in developing effective delivery systems to make housing and community development assistance more readily available to lower income persons in rural areas. The program is expected to help states find im-

proved ways to coordinate Federal and local programs to support community development activities and to provide housing assistance for lower income families living in substandard housing.

The demonstration began in the states of California, Colorado, Illinois, and West Virginia in August, 1977. Since then, about $40 million in Housing and Urban Development (HUD) and Farmers Home Administration funds have been used to identify rural needs and to deliver housing and community programs to rural areas.

The Joint Statement of Purpose and Objectives of the demonstration will be provided for the record.

[The information follows:]

JOINT STATEMENT OF PURPOSE

HUD/USDA Rural Demonstration

Premises of the Demonstration

1. Opportunities for community development and housing assistance are available through a number of existing Federal and State resources. However, these programs are not being used with maximum effectiveness in serving hard-to-reach lower income individuals and families in many rural areas.

2. The development of a delivery system that coordinates Federal programs with State and local agencies and resources to support community development activities and provide assisted housing for lower income persons is essential to effective utilization of Federal resources in many rural areas.

3. Experiences and actions taken during the first two years of the HUD/USDA Rural Demonstration indicate that models for the coordinated delivery of housing and community development assistance to rural areas have been developed and implemented to better serve the needs of lower income rural residents.

4. Evaluation data available for the first phase of the demonstration indicates there is high potential for transfer of the demonstration experience to other rural areas in the participating states as well as to other states in the nation.

5. State departments of community affairs and housing finance agencies have the capacity to provide leadership in planning and implementing coordinated programs to achieve the overall objectives of this joint demonstration.

6. There is a need to further develop state capacity to provide technical assistance to local governments, residents of rural areas, and the private sector to implement the rural development goals and objectives of HUD and USDA.

Objectives of the Demonstration (Phase II)

The States selected by HUD and USDA to participate in the demonstration are to implement a program that will:

1. fully utilize the technical assistance, processing and financing capacities of state agencies to more effectively implement Federal programs for housing and community development in rural areas.

2. effectively utilize the planning, community development, housing and other programs administered by HUD and USDA to improve the quality of life for lower income persons living in rural communities and unincorporated areas.

3. attract private sector investment for use in conjunction with or to supplement joint Federal-State rural development efforts.

4. modify existing housing and community development state delivery systems to enable institutionalization of existing program and service models in the current target areas.

5. modify existing housing and community development state delivery systems to enable transfer to other rural areas in each participating state.

6. develop local capacity to effectively utilize Federal and State resources to meet the community development and housing needs of rural communities and lower income residents of the demonstration areas.

7. demonstrate the skills and expertise needed at state and local levels to enhance the impact of HUD, USDA and other housing and community development programs on rural development needs.

8. identify Federal and State statutory and/or regulatory requirements that accelerate or inhibit the delivery of housing and community development assistance to rural areas.

9. identify barriers to rural development and demonstrate the outreach, technical assistance, financial and other resources required to meet the housing and community development needs of lower income persons living in rural areas.

RURAL DEVELOPMENT AGREEMENTS

Mr. WHITTEN. Last October 2, you issued a press release stating that you had signed an agreement with the Governor of New Hampshire. Under the terms of the agreement, according to the press release, Farmers Home is to work with the Governor's office to coordinate all local, State, and Federal programs and private investments dealing with rural development. How many of these agreements do you now have?

Mr. CAVANAUGH. FmHA has signed cooperative agreements with ten states: North Carolina, Florida, New Mexico, Arizona, New York, Vermont, Arkansas, New Hampshire, Maine and West Virginia.

Mr. WHITTEN. The Rural Development Act provides that Farmers Home projects may not be subject to the approval of the Governor of a State. On the surface, anyway, these agreements would appear to violate the provisions of that Act. Would you please comment.

Mr. CAVANAUGH. The agreements in no way violate the provisions of the Rural Development Act of 1972 which prohibit FmHA from allowing Governors to in any way approve FmHA projects. What these agreements do is spell out for the record those goals and objectives on which there are common agreements and define the way the state Government and FmHA will work together to pursue these common goals.

BUSINESS AND INDUSTRY LOANS

Mr. WHITTEN. For fiscal year 1980, Congress provided $1.1 billion for business and industry loans. For the record, what earmarkings have you applied to these funds?

[The information follows:]

Under our fiscal year 1980 authorized funding level of $1.1 billion we have earmarked funds for only two items. Guaranteed loan authorization of $24,000,000 was transferred to the Rural Electrification Administration for Cable Television Projects. Also $2,000,000 of the authorized $10,000,000 insured loan authority has been reserved to finance loans in the Boundary Water Canoe Area of Minnesota. No other set asides have been made. The Agency has established target goals (not set asides) of: $50 million to women-owned businesses; $50 million to minority businesses; $100 million for alternative energy projects; $50 million to depressed, high unemployment areas; and $50 million to revitalize small downtown community areas.

METHANE PROJECT—LAMAR, COLORADO

Mr. WHITTEN. About two years ago, you made a loan of approximately $15 million to Lamar, Colorado for the purpose of converting cattle manure into methane gas for fueling the city's gas-fired electric utility. What is the current status of that project?

Mr. CAVANAUGH. The City of Lamar, Colorado has FmHA funds obligated for a Business & Industry insured loan in the amount of $14,188,000. These funds were obligated in August of 1978. The loan has not been closed at this time.

The project will provide about a 40% supplement to the City Natural Gas needs. The methane gas will come from three large cattle feedlots where about 50,000 cattle are on feed.

The final plans and specifications for the project are expected to be completed in 1980 with construction to also begin late this year.

Mr. WHITTEN. How much did the Department of Energy put up in the way of funds or other Federal agencies?

Mr. CAVANAUGH. Currently, we are negotiating with DOE to provide $750,000 for financing an engineering design for the Bio-Gas Plant. It is anticipated that the funds will be transferred to FmHA very shortly. The proposed DOE funds, $750,000-agreed to in writing on March 5, 1980, will be used to fund the engineering report which includes final plans and specifications for the project. This report is expected to be completed some time mid-year 1980 with construction to begin late in 1980.

SECURITY FOR GUARANTEED LOANS

Mr. WHITTEN. Since these are 90 percent guaranteed loans by the Federal Government, what security do you require to put up? Is it just 10 percent, or do you require the applicant to secure the loan for the total face value?

Mr. CAVANAUGH. FmHA may offer up to 90 percent guarantee to the lender. In some instances, depending on the credit factors, guarantees are offered for less than 90%. All B&I loans are collateralized. This includes both the guarantee and unguaranteed portions of the loan.

In the majority of the cases, the assets of the business securing the guaranteed loan exceed the loan amount. The value may be book or market value. FmHA usually requires personal guarantees of the major stockholders, directors, or officers of the applicant to further assure the personal commitment of the management to the project. There is no specific requirement on amount of collateral to be taken, however, all collateral must secure the entire loan.

B&I LOANS FOR GASOHOL PLANTS

Mr. WHITTEN. Would you please provide for the record a list of all the loans for gasohol plants that you have made, showing the amount of the loan and the current status of how far along the plant is.

[The information follows:]

B&I GASOHOL LOANS
BY STATUS OF PROJECT

Preapplication Stage	State	Amount
Jerry W. Childress	MO	$3,500,000
Riverside Agri-Business, Inc.	SD	1,800,000
Lake Preston Development Corp.	SD	1,050,000
Coburn Enterprises	SD	750,000
Application Under Review		
Big D & W Refining & Solvents	AR	3,000,000
Jim E. Sanner	AR	221,000
Colorado Agro-Energy, Inc.	CO	2,400,000
Grande Ronde Commodities	OR	400,000
E. J. McGuire	AR	5,461,256
Bardstown Alcohol Fuel, Inc.	KY	2,250,000
Maser, Inc.	SD	393,750
Mt. Agri-Proc	MT	2,025,000
Alco, Inc.	ND	2,800,000
Loan Obligated		
Carolina Alcohol Corp.	SC	352,350
Project In Operation		
Agferm Corp.	IN	106,000

SOLAR HEATERS

Mr. WHITTEN. In a press release dated last August 20, you said that experimental solar heaters are being tested at Farmers Home financed homesites in Maine, Virginia, and New Mexico, and additional ones are planned for Illinois, Oklahoma, and North Dakota. You went on to say that the unit being tested is a low-cost, easily assembled model that if it proves successful, will be made available for Farmers Home home buyers and other interested buyers. What is the current status of that project?

Mr. CAVANAUGH. The Virginia and Maine solar retrofit demonstration homes have been in operation throughout the 1979–1980 heating season. The New Mexico and Illinois homes were completed the latter part of February 1980. The Oklahoma home is 90% completed. The collector components for the North Dakota solar home are being fabricated and will soon be assembled at the site. It was the original intention of the Agency to have all homes completed by the start of the 1979–1980 heating season but design changes and unanticipated construction problems have delayed completion of construction as planned. The monitoring data collected to date is inconclusive and further monitoring and tests will be necessary before the Agency can determine whether the solar design concepts can be successfully implemented on FmHA homes.

Mr. WHITTEN. To what extent does DOE participate?

Mr. CAVANAUGH. The Department of Energy has not directly participated in the development of the 6 demonstration solar retrofit homes, however they will soon publish plans, specifications and a construction manual for integral site-built solar collectors and components. Although the designs had not been specifically developed for homes of the size typically financed by FmHA, there may be several design and construction features that can be successfully integrated into the FmHA demonstration project and future plans made available to FmHA home buyers.

Mr. WHITTEN. Would you please describe for the record exactly how this solar collector works and what its approximate cost is, as well as, what savings would be realized.

[The information follows:]

The collector is an air type horizontal flow unit through which air is circulated under a black absorber plate. The glazing material is low-iron tempered glass. The latest version of the collector, the Wilke Air Plant, will consist of sheets of 12–16 feet galvanized steel, bent into the shape of a long rectangular channel 6–18 inches wide, ½–1 inch high anl sealed along the long edge. The steel air channels are laid horizontally side by side across the face of the collector unit. The absorber plates are attached to the air manifolds which connect the collector to interior ducts and subsystem components.

Air is circulated by a blower unit which "pulls" air through the collector whenever the temperature in the collector is high enough for useful heat to be added to the rock storage or directly into the residence. A design modification has been proposed for the North Dakota home to allow the blower to "push" air through the collector. The designer expects this modification to reduce air leakage in the proposed design. When there is insufficient solar radiation motorized dampers open and close to allow heat to be withdrawn from the rock storage when temperatures in the residence fall below comfort level. When the rock storage temperature is too low to provide useful heat the auxiliary heating equipment provides the necessary heating.

The cost of the collector and subsystem components have been estimated by the designer to be between $2500 and $3500 depending upon the location of the

home and availability of parts and materials. The monitoring data collected to date is not sufficient to estimate the expected energy savings for the typical FmHA home.

FARMERS HOME STAFFING

Mr. WHITTEN. In your witness statement, you stress that you have received the 469 additional positions authorized by the Congress for fiscal year 1980. However, in reviewing your staffing table, which appears on page 272 of the explanatory notes, we note that your permanent full-time staff years will decrease from 8,540 in fiscal year 1980 down to 8,316 at the end of fiscal year 1981. This would be a decrease of 224 staff years. What was the basis for giving you the additional positions in 1980 and then taking them away in 1981?

Mr. CAVANAUGH. We are planning no reduction of positions in 1981. The decrease in estimated permanent full-time staff years in 1981, referred to here, would have a minimal effect on Farmers Home employment since it is primarily related to our emergency programs which are estimated to decrease in 1981. Much of the estimated staff year decrease in 1981 is related to the expiration of the economic emergency loan program in 1980. Our continuing experience with emergency programs indicate that the related loan serving of the existing loans is steadily increasing.

Staff year estimates do not coincide with estimated positions, especially with unpredictable programs. Therefore, even though our estimated staff years decline slightly in 1981, we are not planning a reduction in positions.

Mr. WHITTEN. In the budget prepared by Farmers Home for fiscal year 1981, how many additional positions did you request from the Office of the Secretary, and how were these positions to be used?

Mr. CAVANAUGH. At that stage of the budget under the zero-base budgetary concept, we prepared four alternate program levels for Farmers Home Administrative Expenses. This included a low of 8,195 to a high of 10,250. The positions were to be used throughout the Agency, but primarily in the field offices to enhance loan servicing, debt collection, and credit counseling activities.

Mr. WHITTEN. When the USDA budget for fiscal year 1981 was transmitted to OMB, how many additional positions for Farmers Home were included and for what purpose?

Mr. CAVANAUGH. At that step in the zero-base budget process, two alternate program levels were prepared for Farmers Home, 7,895 as a minimum level and 8,364 as a current/increase level. The increase was included to help field offices meet expanding workloads for debt collection, loan servicing and supervision.

Mr. WHITTEN. To what extent during the past year have you shifted people between offices? You will recall that last year we discussed with you the fact that some of your offices appeared to be overstaffed while others appeared to be understaffed.

Mr. CAVANAUGH. The flexibility we provide to State Directors to move personnel to areas of critical need and our dedication to using every conceivable type of employment we can allows the Agency to fully utilize all personnel. During the past year we have shifted staff resulting from program reassignments in the field restructuring process.

Mr. WHITTEN. On page 8 of your statement you discuss the restructuring of the FmHA field organization. You say that results have pleased your people in the field as well as those of you in administration. What about the borrower; are they pleased with your reorganization?

Mr. CAVANAUGH. Here we would be speaking of two types of borrowers—the individual borrower and the group type borrower. Through concentration of our programs we are able to respond more frequently and effectively to the needs of borrowers. The principle of supervised credit has been restored and is being strengthened through restructuring. With the establishment of district offices and the training of those personnel in group loan procedures, we now have an average of 7 specialized offices serving group loan borrowers in each state. Whereas, in the past, many county offices handled so few of these loans they were not proficient in the processes. We have now extended our expertise through centralization.

Mr. WHITTEN. You go on to say that you are still perfecting the build-up of district offices, and that program goals are being met. Exactly what program goals are you talking about?

Mr. CAVANAUGH. Here we are talking about two types of goals—one being the objectives of restructuring and the other the planned, utilization of budgeted funds. We are now a year and one-half into restructuring, and most of our organizational and training problems are behind us. The shifting of group type loan responsibilities to the district level has allowed the county office to concentrate on reaching and counseling with the most needy of individuals. Our efforts to cooperate and work with sub-state planning to achieve local community codes is ever increasing. In essence, we are directing and delivering our program to individuals and communities where it is needed.

BANK COLLECTION OF HOUSING LOANS

Mr. WHITTEN. Would you please discuss with the Committee how the system of using banks to collect housing loans has been working, or when it is to be implemented?

Mr. CAVANAUGH. FmHA has contracted two mortgage bankers to develop and operate a pilot Mortgage Servicing System for 2 years in North Carolina, Washington and Oregon. The contractors will perform housing loan account servicing functions presently performed by our Finance Office.

Mr. WHITTEN. What exactly are your plans for escrowing of taxes and insurance under these provisions?

Mr. CAVANAUGH. A borrower escrow system will be established for payment of real estate taxes and insurance. Monthly loan payments made by borrowers will include an amount for escrow, and the mortgage bankers will pay the borrowers taxes and insurance when due. Implementation is planned for calendar year 1981.

Mr. WHITTEN. What will the cost be of utilizing banks to collect these loans?

Mr. CAVANAUGH. Under existing contracts that cover three States, annual servicing fees would total about $1.7 million. This amount is subject to change. Existing contracts are being modified to expand the scope of work to be performed by the mortgage banks.

TRAVEL FUNDS

Mr. WHITTEN. During fiscal year 1980, there was a government-wide reduction in travel funds. What type of reduction was applied to the Farmers Home Administration?

Mr. CAVANAUGH. The budget as submitted shows about an 8% reduction in travel for the Farmers Home Administration. However, we have appealed that reduction to the Office of Management and Budget. The Explanatory Notes submitted to the Subcommittee reflects this appeal.

Mr. WHITTEN. The Conference Report that mandated the government-wide reduction in travel funds also specified that none of the reduction was to be applied to loan servicing and collection functions. Did you comply with the mandate of this report?

Mr. CAVANAUGH. We have attempted to reduce administrative travel and other travel in areas that does not impact on loan servicing and debt collection. We have appealed the travel reduction and expect some relief from the restriction.

Mr. WHITTEN. What impact did this reduction have on the other functions of the Farmers Home Administration?

Mr. CAVANAUGH. We are encouraging greater use of the telephone and communications expense has increased; however, the full effect of the reduction has not been evaluated. Temporary delays in the processing of loans may result from this reduction but we are trying to reduce travel in other areas to minimize the impact on loan supervision, debt collection and processing of applications. In light of the language contained in the law exempting travel for debt collection and loan supervision, we fully expect to be granted some relief from the travel restriction.

FMHA LOAN DELINQUENCY RATE

Mr. WHITTEN. In your statement, you say that "the President's Management Improvement Council selected the collection of delinquent debts as one of the most pressing government-wide management problems." What improvements during the past year have you made in the collection of delinquent loans?

Mr. CAVANAUGH. FmHA has installed a system whereby the National Office can monitor the number and percent of delinquent accounts in each county. The National Office now works closely with the State Directors in states with the highest delinquency rate to develop a comprehensive loan servicing procedure that would enable these states to reduce the number and percent of delinquent accounts. FmHA requires that loan servicing and the collection of delinquent accounts become an integral part of the State Management Plan. Finally, Assessment Teams have been formed to review, in each state, the management of the Farmers Home Administration by program area. These reviews will be made by a senior National Office staff member, State Chiefs or Specialists and an Auditor from the Department of Agriculture Office of Audit. During these management reviews, servicing and collections of loan delinquencies will be stressed.

Mr. WHITTEN. What ideas do you have under consideration for improving your delinquency rate during the coming year?

Mr. CAVANAUGH. The National Office is developing new National procedure for the field staff in the supervision, servicing and collection of loan accounts. These procedures will outline specific requirements for servicing and collection. If necessary, we are prepared to reduce the amount of loan funds available to those States who do not reduced their delinquency rate to a manageable level. Also, FmHA will try to provide additional training for its field staffs on the supervision, servicing and collection of loan accounts.

Mr. WHITTEN. To what extent have you reviewed the servicing techniques used by offices that have a low delinquency rate to see the extent to which they might be applied on a nationwide basis?

Mr. CAVANAUGH. Assessment team members will review the servicing techniques used by all states and in particular, those states with good collection records so that this information can be used in other states. Loan Specialists in various states have spent periods of training in states with low delinquency rates so that they can observe the techniques used. The new National procedure being developed for the supervision, servicing and collection of accounts will outline specific requirements for the servicing and collection of delinquent accounts. These specific requirements were developed from successful techniques used by States with a low delinquency rate.

FMHA EMPLOYEE TRAINING

Mr. WHITTEN. What type of training programs do you have for FmHA personnel?

Mr. CAVANAUGH. FmHA provides training in the following categories: Orientation and Induction Training; Administrative, Executive, Managerial and Supervisory Training; Engineering, Technical and Related Training; Loan Making and Servicing; Credit Counseling; and other training for individual development.

A major portion of FmHA training is directed to providing induction—initial—training to new Assistant County Supervisors, County Office Clerks, County Office Assistants, and Loan Program Specialist Trainees, and supplemental training is provided as needed.

Mr. WHITTEN. What is the size of your agency's training budget and how many people are assigned to the training function?

Mr. CAVANAUGH. FmHA's training budget for FY 1980 is expected to be $2,361,000. The number of people assigned to the training function is 18.

Mr. WHITTEN. Where do you have training centers located?

Mr. CAVANAUGH. FmHA's training centers are located at the TWA Breech Training Academy, Overland, Kansas, and at Florida A&M University, Tallahassee, Florida.

Mr. WHITTEN. How many FmHA employees receive training during a given year?

Mr. CAVANAUGH. The number of FmHA employees provided training is approximately 8,500 per year.

Mr. WHITTEN. Would you list for the record some of the courses you provide for your employees?

[The information follows:]

FmHA TRAINING OUTLINE

Farmer Programs:

(a) Comprehensive Loan Making

(b) Farmer Program Appraisal Training

(c) Loan supervision and servicing (insured and guaranteed)

(d) Farmer Program legal aspects

(e) Loan Making and Account Servicing

(f) Farmer Program Chattel Appraisal

B&I Community Programs:

Rural Tracking System

Rural Housing Programs:

(a) Rural Housing Loan Docket Examiner Training

(b) Rural Rental Housing (for District Directors and Assistants)

(c) Multiple Family Housing

(d) Multiple Family Housing Appraisals

Single Family Housing - Others:

(a) Credit and Financial Analysis (Introduction Basic and Advanced)

(b) Compliance Review

(c) Interviewing and Communications Techniques

(d) Introduction to Supervisory Practices

(e) Supervisory Development (Phases I and II)

(f) Management Development (I and II)

(g) Procurement of Program Services and Property Management

Community Programs:

(a) Financial Audit Analysis and Rural Health Care Feasibility

(b) Community Programs (for new staff)

(c) Program Operations Training

INCOME DEFINITIONS

Mr. WHITTEN. For the record, what are your definitions of low-income, moderate income, and above moderate income?

[The information follows:]

The present FmHA definitions for low, moderate and above moderate income are adjusted incomes of up to $11,200, $15,600, and $20,000 respectively. Section 502(b) of Public Law 96-153, signed into law December 21, 1979, defines low-income as "families and persons whose income does not exceed 80 per centum of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families . . . and the Secretary may establish income ceilings higher or lower than 80 per centum of median income on the basis of his findings that such variations are necessary because of prevailing levels of construction costs, unusually high or low incomes, or other factors."

FmHA has identified approximately 484 exception areas and is working to make the necessary adjustments to insure use of the Section 502 program in all areas. We are counselling with the staff of the House Subcommittee on Housing and Community Development in this regard. Adjustments are critical, in that the 80 per centum of median income formula was first designed for the HUD Section 8 program, where affordability is not a question. Affordability is crucial in the FmHA Section 502 program which requires borrowers to be able to make repayment of principal and at least 1% interest. Without adjustments the Rural Housing programs would be severely restricted in the South.

Once the low-income levels are identified, a percent of median figure can be developed for both moderate and above moderate-income levels.

RESTORATION OF INTEREST SUBSIDIES AND LOSSES

Mr. WHITTEN. For each of the three loan funds, would you please project for the record your restorations over the next five years.

[The information follows:]

INTEREST SUBSIDIES AND LOSSES

	ACIF	RHIF	RDIF
1981	$297,032,000	$504,318,000	$143,282,000
1982	468,796,000	665,087,000	188,559,000
1983	384,308,000	863,885,000	235,816,000
1984	357,224,000	1,033,000,000	283,446,000
1985	311,856,000	1,165,008,000	333,905,000

ACCOUNTING ERROR

Mr. WHITTEN. In connection with the restoration of funds for the Rural Housing Insurance Fund, you say the loss was increased this year because of the reversal of an accounting error in the handling of CBO interest during fiscal year 1978, which understated fiscal year 1978 losses. Just how did this error occur?

Mr. CAVANAUGH. During fiscal year 1978 an interest payment on a CBO issued to the Federal Financing Bank for the Rural Housing Insurance Fund was miscoded and charged to the Agricultural Credit Insurance Fund. This erroneous charge was discovered after the books were closed for fiscal year 1978, so a reversal to charge the payment to the correct fund was made during fiscal year 1979.

As a result the restoration of funds for the RHIF was understated, and overstated for the ACIF in fiscal year 1978. The reverse would apply for fiscal year 1979. As this involved two FmHA funds, there is no overall effect in the total restoration of funds.

RESTORATION OF ECONOMIC EMERGENCY LOSSES

Mr. WHITTEN. In connection with the restoration of losses, you are showing a restoration of $78 million in connection with economic emergency loans. Since economic emergency loans are essentially guaranteed loans, how does this interest loss occur?

Mr. CAVANAUGH. The primary components in the reimbursement for losses are interest income earned on loans made to borrowers by the Agricultural Credit Insurance Fund and interest expenses on certificates of beneficial ownership which are sold primarily to the Federal Financing Bank. The 1979 losses for ACIF amounted to $297 million. The reimbursement for the economic emergency loan program shown as $78 million represents a pro-ration of the operating losses of the ACIF on the basis of unpaid principal balance outstanding as of September 30, 1979. Actual FY 1979 costs associated with these loans could be said to be substantially lower than the pro rata figure since most of the loans were made at close to the actual cost of money in that year.

Mr. WHITTEN. Have any bad loans been written off under the economic emergency loan program?

Mr. CAVANAUGH. There have been no loans written-off since the inception of the economic emergency loan program.

SELF-HELP LAND DEVELOPMENT FUND

Mr. WHITTEN. You are requesting an increase of $4 million for capitalization of the self-help housing land development fund. Why are these additional funds needed?

Mr. MERCURE. At the present time there are about $70,000 of uncommitted funds in the Self-Help Housing Land Development Fund. At the same time, the Agency has 6 loan applications under consideration totalling about $1,350,000 in the states of Ohio, Washington, Idaho and California. Also, with the increase of the conventional interest rates and the reduced availability of loans from other sources, the Agency is presently receiving inquiries for funding of site development projects in rural areas at an increasing rate.

Mr. WHITTEN. What is the authorization for these funds?

Mr. MERCURE. Appropriations to the fund are authorized under Section 523(f) and (g), of the Housing Act of 1949, as amended.

Mr. WHITTEN. What is the interest rate on these loans?

Mr. METCURE. The interest rate for these loans is set by law at 3 percent.

Mr. WHITTEN. Have any of these loans been written off as bad loans?

Mr. MERCURE. Some loans have been slow in their repayment; but, so far none have been written-off.

USDA SPACE

Mr. WHITTEN. Last year we had considerable discussion with you regarding the GSA leasing of district offices. What has happened in this area during the past year?

Mr. CAVANAUGH. All State Directors were notified of 5 alternate methods to expedite acquisition of space in lieu of waiting for GSA

acquisition. These methods have been used in many cases and have allowed FmHA to get District Offices opened in a more timely manner.

Mr. WHITTEN. Have you received additional authority from GSA to lease this space on your own?

Mr. CAVANAUGH. No additional authority has been received from GSA.

Mr. WHITTEN. Last year we had some discussions with you about efforts by GSA to follow the Executive Order of the President, which required Federal offices to the maximum extent possible to be located in the inner-cities, which is a total contradiction of the terms of the Rural Development Act. Have you had any more success with GSA in this regard?

Mr. CAVANAUGH. On October 29, 1979, a memo of understanding was signed between USDA and GSA agreeing to relax criteria on locating County Offices in the inner city when program requirements cannot be met by such location. This agreement was furnished to all State Directors. Although this agreement does not solve all problems, it has allowed proper locations of County Offices in rural areas when needed.

GSA RENT INCREASES

Mr. WHITTEN. According to page 273 of the notes you will be paying a little over $18 million to GSA for rent and utilities during fiscal year 1981, which is an increase of about $1.2 million over the amount you will be paying in fiscal year 1980. Since the budget shows a reduction of 200 or so staff years for Farmers Home, why would you be paying more rent next year?

Mr. CAVANAUGH. Our estimate for rent and utilities increases in 1981 since the costs we are incurring to operate our offices are constantly going up. A slight reduction in staff years related to Emergency programs is not expected to affect the number of offices we are operating.

FMHA AVERAGE GRADE

Mr. WHITTEN. We note that your average grade will increase from 8.09 in 1980 to 8.17 in 1981. What is the cause of the increase in the average grade?

Mr. CAVANAUGH. The average grade increases in 1981 are due in part to the restructuring of the field offices and the resulting upgradings of field personnel in District Offices.

EMPLOYEE BONUSES

Mr. WHITTEN. Have you included any funds in your budget for bonuses to be paid to your employees and if so, how much?

Mr. CAVANAUGH. Under the Civil Service Reform Act the Senior Executive Service individuals are eligible for bonuses based on performance. For this purpose we have included an estimated $50,000 in our 1981 Budget.

Mr. WHITTEN. Have any bonuses been paid to date under the Act and if so, would you list them for the record?

Mr. CAVANAUGH. No bonuses have been paid to date under the program.

OFFICE OF PERSONNEL MANAGEMENT REVIEW OF FMHA POSITIONS

Mr. WHITTEN. The Committee has been advised that the Civil Service Commission recently completed an audit of the Farmers Home Administration Washington Office. Would you please discuss their findings with the Committee, and tell us the impact these findings have had on the staff of the Agency.

Mr. CAVANAUGH. The Office of Personel Management in August 1979 reviewed 38 professional positions of the National Office and recommended that a minimum of 25 positions be downgraded, including positions in Housing, Business and Industry and Community Programs.

It is especially difficult to understand why the three GS–15 positions in the Farmer Programs were recommended to be downgraded. This program has undergone close scrutiny before and for the over 20 years that the positions have been in effect. In addition, in recent years the area of Farmers Programs has been given additional duties and responsibilties.

Considering the Agency objective and the Administration's commitment to farmers and rural America, implementation of the OPM recommendations will critically undermine the initiatives and concerns promulgated by Congress as the mission of the Agency. Existing programs will suffer as limited resources are used to develop new programs, and it will be impossible to attract outstanding employees to the National Office without adequate and competitive salaries.

We have not yet implemented the proposed downgradings because the findings are being appealed.

Until this issue is resolved, the morale of FmHA employees continues to be affected.

UNIFIED MANAGEMENT INFORMATION SYSTEM

Mr. WHITTEN. I notice that you have been working on this Unified Management Information System. That's a nice title: Unified Management Information System. That was begun six years ago. After six years, you are five years behind schedule. What kind of operation is that? I hope your farm borrowers are coming out a little better than that.

Mr. MERCURE. Yes, sir. I hope they are doing a lot better than that.

Mr. WHITTEN. I notice that you spent $17 million but it would cost you $25 million to catch up. Had not we better stop that and start giving some attention to something else?

Mr. MERCURE. We have made some corrections on it and brought our people——

Mr. WHITTEN. $17 million worth.

Mr. MERCURE. I do not want to alibi all those figures, but in some cases, there are costs for maintaining computer systems which would be required with or without UMIS. But we are significantly behind; you are right.

Mr. WHITTEN. At this point in the record we will include the report by the Comptroller General.

Mr. MERCURE. We are updating our analysis of the project. We will be happy to review the GAO report.

[CLERK'S NOTE: The GAO report appears on pages 305 through 365.]

UNIFIED MANAGEMENT INFORMATION SYSTEM

Mr. WHITTEN. I am sure you are aware that the report from the General Accounting Office is very critical of the Farmers Home Administration's effort at developing a Unified Management Information System.

Among other criticisms, it states that the project has suffered from poor planning and management; that it is at least five years behind schedule and tens of millions of dollars over original estimates; that, if continued, the system will not meet the needs it was intended to fulfill; that the operational costs would be excessive; and that, as a whole, the UMIS concept is no longer viable. Should the UMIS project be scrapped at this point and replaced with a totally new system development effort? What would be the costs and benefits of a new development effort versus those of continuing UMIS in some form?

Mr. CAVANAUGH. A USDA Task Force is studying various aspects of the UMIS effort including its viability. Also, we will be responding to the GAO report which has just been released by the Subcommittee. The scrapping of UMIS is an alternative which is receiving serious consideration. However, no decision will be made until the USDA Task Force has submitted its report. We will keep the Committee advised of the plans we develop as a result of the USDA Task Force study. It would be premature to venture a guess at this point on the costs and benefits of any prospective systems development effort.

Mr. WHITTEN. What steps are FmHA and the Department taking to access the status and viability of UMIS and where the project should go from its current poor state?

Mr. CAVANAUGH. FmHA initiated analyses, tests, and documentation of the UMIS Control Structure in June 1979. In September 1979, FmHA instructed its St. Louis Office to develop a takeover plan of the UMIS Control Structure. FmHA issued a contract in October 1979 to Arthur Andersen & Co. to assess the status of UMIS and recommend actions.

Steps are now underway to incorporate system change requests into program performance specifications to determine the exact scope of the tasks ahead. In addition, USDA has formed three Task Forces to determine the requirements of UMIS, the design of the Executive Control Structure, and techniques for managing the project. The Task Forces will also provide estimates to implement alternatives.

Mr. WHITTEN. What are the factors that have been responsible for UMIS's delays and cost escalation? What action are you taking to prevent these problems in any future system development efforts?

Mr. CAVANAUGH. The factors responsible for UMIS delays and cost escalation were: a hold placed on the procurement of the Kansas City computer system by external offices, this action required additional studies and introduced uncertainties related to UMIS; redirection of UMIS to provide new system designs; extensive comparative tests of system conditions and operating environments. Inadequate staff and contractor knowledge of the details of FmHA programs combined with optimistic estimates of the time required for detailed design and programming. A lack of sufficient quantity of personnel with knowledge of the newest large scale systems design processes and new computer software (Honeywell).

Several of the above factors are outside the administrative control of FmHA. We are taking the following actions to prevent identified problems in any future system development effort.

FmHA has appointed a new Project Manager and issued instructions for the implementation of an automated scheduling system to improve estimating and cost control. We have been emphasizing the training of FmHA personnel to become fully familiar with Honeywell software.

Mr. WHITTEN. Why hasn't the UMIS Steering Committee—which we suggested FmHA establish—worked more effectively at preventing UMIS's many problems before they occurred?

Mr. CAVANAUGH. The UMIS Steering Committee has worked effectively but many of the factors causing delays occurred prior to the establishment of the Committee. These could not be prevented. Certain other problems could not be foreseen. The Committee established a milestone reporting system similar to PERT; monitored progress against the milestones; took definitive action to have a contractor removed when he failed; authorized increased resources of FmHA personnel to perform tasks in lieu of a contractor; directed reassignment of personnel to improve daily management; recommended in February 1979, a reallocation of contractor resources to deal with problems which were about to occur; emphasized the training in Honeywell software of FmHA and contractor personnel to overcome future problems; and provided a forum for the Office of Data Services and the Office of the Inspector General to advise FmHA about the project.

Mr. WHITTEN. Why wasn't adequate control exercised over a systems development contractor to ensure the government of timely and adequate work products?

Mr. CAVANAUGH. Federal employees have very limited authority to direct, supervise and fully control contractor personnel on a daily basis. The Government did establish schedules and milestones for the contractor; it provided guidance and overall direction and had teams to review work products of the contractor. When the mechanism identified clearly that the contractor did not succeed with timely and adequate work products, the Government ended the contract.

Mr. WHITTEN. Since approximately 50 percent of the new computer capacity of Kansas City was to be used for UMIS, isn't there now unused capacity? If not, how is this capacity being used?

Mr. CAVANAUGH. I have been informed by the Department's Office of Operations and Finance that there is no unused computer capacity at the Kansas City Computer Center. Computer capacity, through contract modifications, is tailored to the needs of the Agencies utilizing the facility. Increasing workload for ASCS and FCIC is now being handled at this facility.

Mr. WHITTEN. Why did FmHA and the Department delay taking action on a contracted study by Arthur Andersen that reported UMIS to be in serious trouble?

Mr. CAVANAUGH. FmHA and the Department did not delay taking action. The Agency had already begun steps and taken actions to correct the situation. In June 1979, FmHA assigned its own personnel to begin analyzing, documenting, and testing the products of the contractor. In September 1979, FmHA initiated a takeover plan and recommended a new Project Manager. In January 1980, FmHA and the

Department began Task Force studies of three significant areas recommended by Arthur Andersen.

Mr. WHITTEN. Why was the request to keep the Committee informed on the progress of UMIS contained in the Report on the fiscal year 1980 bill ignored?

Mr. CAVANAUGH. The project has been in a state of transition; teams have been gathering facts and analyzing information; and our view of the project has been changing rapidly since the Report. FmHA has submitted annual ADP explanatory notes which covered the UMIS project. We did not intentionally ignore the request of the Committee, but due to this general environment we did not provide a more recent progress report.

Mr. WHITTEN. How are the computer terminals that were acquired for the UMIS being used?

Mr. CAVANAUGH. The terminals in Illinois are used each workday to process several UMIS transactions. Under the Beginning Initial Operating Capability implementation, the terminals are used to debug computer programs and procedures. The process helps identify specific problems that the FmHA clerks can find as the new system is being set up. It also provides practice in the use of the terminals. The terminals are also mostly located in colocated USDA offices and are being shared with Soil Conservation Service and other USDA Agencies.

Other terminals, originally designated for UMIS implementation, are being used for non-UMIS applications of word processing, data entry, and inquiry. Others continue to be used for UMIS remote batch entry and system development.

Mr. WHITTEN. I yield to my colleague from Kentucky, Mr. Natcher?

ADDITIONAL EMPLOYEES

Mr. NATCHER. Mr. Cavanaugh, in your statement to the Committee, you point out the fact that as a result of the 1980 budget you are now adding 469 new employees. Are they all on the payroll? Are they all aboard?

Mr. CAVANAUGH. As of last week, we were within 33 of the permanent full-time ceiling that resulted from the adding of the 469 people.

Mr. NATCHER. As you will recall, down through the years our Subcommittee and our chairman, Mr. Whitten, have pointed out to the Farmers Home Administration that you needed more employees. You had to have more. So you will have these all aboard before the year of 1980 is over. Is that correct?

Mr. CAVANAUGH. Yes, sir.

Mr. NATCHER. Go ahead, Mr. Cavanaugh.

Mr. CAVANAUGH. As I said, we are within 33 of the ceiling now. The ceiling was given to us in January.

Mr. NATCHER. In your justifications you point out the fact that your staff years will go down 10,943, from 11,315 staff years in 1980. From the standpoint of new employees, what do you have in mind here, Mr. Cavanaugh? What do you mean by staff years? You do have a reduction here of some 400 staff years.

Mr. CAVANAUGH. Mr. Natcher, that falloff refers to staff-years and only reflects an estimate of the decline in activity in the emergency disaster lending program and the economic emergency lending program. Under both those programs we are authorized and have regularly added temporary employees to help in the processing of those loans. So the number of those temporary employees rises and falls with the loan level activities in both of them. We do not expect to have the same high level of activity in the emergency disaster loan program that we have had in the past few years, and the economic emergency loan program expires by statute on May 15 of this year. Consequently, there will be fewer temporary employees associated with these programs, but our full-time permanent staff, which the chairman and I just discussed, has been increased this year.

We certainly have appreciated the help that you and others have given us in this regard. Our aim is to increase the amount of permanent full-time staff in Farmers Home. The additions that you gave us last year of 469 employees are now reflected in the permanent full time staff in the field.

Mr. NATCHER. As far as your decrease in staff years is concerned, that has nothing to do with your 469 new employees aboard?

Mr. CAVANAUGH. Yes sir, it does not.

Mr. NATCHER. Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Myers?

LOAN DELINQUENCY RATES

Mr. MYERS. Thank you, Mr. Chairman.

It would appear from your statement that the writeoffs have been going down which is a good trend, but as has been discussed here, it does not necessarily reflect delinquencies and loans that have to be renewed. What is the delinquency experience?

Mr. CAVANAUGH. Mr. Myers, the current delinquency in the farmer programs is no worse than and in some cases is better than it has been in a similar period for each of the preceding two or three years.

In terms of the housing programs, there has been a slight—less than one percent—increase in the short-term delinquency. That is, we count as delinquent any failure to pay $10 within 15 days of its due date. That figure has gone up about one percent over the past year.

In terms of the long-term delinquency in housing programs, it has gone up about half a percent.

A lot of that delinquency in our view is attributable to the fact that our borrowers, particularly in the housing program, have very limited incomes. They feel the impact of inflation first and hardest. It frequently makes it more difficult to maintain their payments.

I just want to reassure the Chairman and the Committee that I have the strongest commitment to collecting these funds. I think I have enough experience to recognize just what the Committee has expressed. Unless the Agency is able to do a good, sound, responsible job of collecting their money, the support for these programs will not continue and the people for whom they are intended will not get them.

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I think I have made that as plain as I can to all of our staff. We are to have a strong, consistent collection practice.

I do not want to see the size of these programs or the income levels they serve grow beyond our ability to service the portfolio. We have tried to carry out the authorities that are assigned to us. It is plain that some things aggravate the problems of handling increased workloads. I have told our staff that they are not to be preoccupied with the amount of dollars that they process, but they are to run a sound program of making the loans, providing assistance to the borrowers, and seeing that the debts are collected. That is what I hold them accountable for—not how many dollars they process.

Mr. MYERS. Of course it is not too difficult in most cases to make collections when you are adequately secured and the borrower has the funds to repay. As an old banker, I have always felt that to be true. But, from economists, and even from the Department, there are indications that this year, 1980, farm net income is likely to be down significantly because of inflation, higher costs of production, and all the other associated costs farmers have. It would appear that at this time next year whoever is sitting in that seat may have difficulty and may come in with a different report.

Do you envision anything like that? What projections do you have?

I don't think that because we have a shortfall one year that you go out and repossess a lot of equipment and also foreclose on a lot of real estate. Is there any contingency within the Department for this?

Mr. CAVANAUGH. I think that Farmers Home has a good record over the years of being sensitive to the farmers' predicament in a given season. While we are firm with collection, we are not going to foreclose on a farmer who is competent; has been honest in his dealings with us; has not in any way jeopardized the collateral or security that we have; and has got a reasonable prospect for succeeding over a period of time. That has been the basic philosophy of the Agency and is one that the Secretary maintains. We certainly try to carry that out fully in the field.

NUMBER OF FARM OPERATING LOANS

Mr. MYERS. I remember years ago my Dad, when I asked him advice about leaving industry and going into banking, said: "When times are good, banking is a good place to be, but when it is tough it is the worst place to be." Most indications point to that.

I think in agriculture we all would say that because of a number of events, notwithstanding the embargo, agricultural prices will be forced down somewhat this year. So it will be a lot more difficult for farmers and rural America to meet their payments this year. I am deeply concerned about it, and with interest rates going up all the time, I don't know where it is going to end.

I noticed also in your justification that the number of farm operating loans is down this year from previous years while all the other categories are up. Why is that? Why did the number of borrowers and farm operating loans go down by almost 2,000? Are there just fewer farmers out there?

Mr. CAVANAUGH. No. What is happening here is that, with inflation costs going up and with our budget remaining essentially the same, we make fewer loans. Usually those loans have an average higher size.

What you have to look at to see what we have done is all those programs that have operating credits in them. When you add those up, you will find that through the economic emergency and the subsequent loans in the natural disaster program, as well as the basic operating loan program, you have a record number of production credit-related loans being made by the Agency. Close to 140 or 150 thousand loans have been made.

Mr. MYERS. Could it be those 2,000 more borrowers and operating loans that you had in 1978 over 1979 have moved over to the farm emergency category? Could they have been refinanced in a farm emergency category?

Mr. MERCURE. Yes.

Mr. MYERS. Your total number of programs is up, but I just wondered why farm operating loan numbers were down.

Mr. CAVANAUGH. A lot of it is due to the increased average size of the loan.

Mr. MYERS. That would not do it.

Mr. MERCURE. The shift to economic emergency loans probably accounts for most of it.

Mr. MYERS. Maybe I am misreading this. Are these individual borrowers, or are these numbers of notes?

Mr. MERCURE. These are active borrowers currently in the portfolio.

Mr. MYERS. If one person has five notes with you, would that person still be considered one borrower? Or would he be five borrowers?

Mr. MERCURE. They would be considered one borrower.

If a note gets paid off, he is no longer an active borrower. Some of the fall-off has had to do with paying off. Some of the borrowers come back into the Agency. Some of them are eligible for economic emergency loans and might have obtained an operating loan if we had not had the economic emergency loan program in place.

Mr. CAVANAUGH. I am not sure if you are referring to the difference between 1978 and 1979.

Mr. MYERS. I am.

Mr. CAVANAUGH. That would be a different set of appropriations, as well.

Mr. MYERS. A different set of appropriations?

Mr. CAVANAUGH. If you could tell me which page you are referring to there, please?

Mr. MYERS. It is on the last page in your statement. It is category III entitled Active Borrowers and Amount Outstanding as of End of Fiscal Year.

It is not that important, I guess. The total number of borrowers and the total number of loans is up. I was just wondering why there appeared to be fewer operating loan numbers.

Mr. CAVANAUGH. There are many reasons: pay-offs, shifts of people into other programs, et cetera.

Mr. MYERS. Most people I know would not pay off, and then come back and borrow in the spring again.

Mr. CAVANAUGH. I misunderstood your question.

CO-LOCATION CENTERS

Mr. MYERS. I still don't know, but I guess it is not that important. I have one observation. The offices that you have—the cooperation

between FmHA, ASCS and other USDA agencies—I think is a good idea. In Indiana I have had several complaints that the one group that does not like the Agricultural Service Centers is the Farmers Home Administration.

Mr. CAVANAUGH. I cannot speak to Indiana, but generally Farmers Home has been most willing to go with the co-location concept of joining with the other agencies in a common center. At least it has been said to me regularly by those in the Department seeking to further co-locate that we have been the most cooperative and have been generally helpful with the enterprise.

Occasionally, we get into problems where we may need more space than the co-located agencies. We sometimes get hamstrung by the unwillingness of the other co-located agencies to move into other larger office settings that can accommodate our needs. We have recently surveyed our field people. In many areas where we need office space we must deal through the General Services Administration and that has presented a regular obstacle to us in those parts of the country.

Mr. MERCURE. It varies. I think you are going to find all kinds of opinions. At least that has been our experience.

Mr. MYERS. Most of the users are very satisfied with co-location, and think it is a good idea. It makes it convenient for farmers who use the services of all the Department's agencies. I hope you will continue to support them.

Mr. CAVANAUGH. We are. We have a very high percentage of our offices co-located at this point.

Mr. MYERS. Thank you.

Mr. WHITTEN. Mr. Burlison?

ECONOMIC EMERGENCY LOANS

Mr. BURLISON. Thank you, Mr. Chairman.

As you mentioned earlier, the economic emergency program expires on May 15, 1980. The House and Senate Agriculture Committees have approved bills to extend the Economic Emergency Loan Program. In fact, the House is scheduled to vote on this item later today.

The bill would authorize an additional $2 billion in loans and continue a $400,000 ceiling on individual loans and require applicants to prove they cannot get credit elsewhere. I notice the Administration has indicated it would support the bill if amended to: one, strike authority for the Secretary of Agriculture to pay interest subsidies on guaranteed loans; two, require that in no case may direct, insured, or guaranteed loans be made at an interest rate of less than that charged by private lenders; three, tighten the credit-elsewhere test to make it consistent with other U.S. farm credit programs, and strike the eight percent interest rate ceiling on farm storage facility loans.

My question is this. If this does not happen, what is your opinion, Mr. Secretary, with respect to the President's action when the bill reaches his desk, if it should survive conference in approximately this form?

Mr. MERCURE. If it does survive, I believe the President probably will sign it.

Mr. WHITTEN. I am sure that is true.

Mr. MERCURE. I think that we need to recognize the difficulty of statutory interest rates such as the fixed rate of 8 percent on storage facilities. As you recall, we had a fixed rate on a number of loans. The economic conditions have changed such that the subsidy draws to us people who are looking, essentially, for a big differential in interest rates.

We think that subsidizing the difference between commercial rates and the cost of Federal borrowing would increase the cost of the program beyond real logic.

The assumption today is that there is no money and that we have debt-to-deposit ratios in rural banks that are in excess of 70 percent. We have a serious problem in terms of liquidity for the farmer to continue farming.

The private sector lending ranges all the way from a low of the farm credit system and the high established by the central city banks. If we use an interest rate that does not lock us into a fixed rate of interest, but provides capital and recognizes that conditions are going to change, I think the program will continue to make a substantial contribution.

Mr. BURLISON. I have several constituents that have told me that they are approved for EE assistance but there are no moneys. How far will the $2 billion go toward alleviating the shortages?

Mr. MERCURE. As I understand the legislation being considered by Congress, it extends the program to September 1981. We estimate that the additional $2 billion that Congress will authorize will probably carry us there reasonably adequately.

Mr. BURLISON. Put in the record at this point the mechanism you use, the process you use for State allocations, allocating the money to the States. Would you provide that for the record?

Mr. CAVANAUGH. Yes.

Mr. BURLISON. We will not have time to do it now.

[The information follows:]

ALLOCATION OF EE LOAN FUNDS

The formula for allocation of the $1 billion of new EE authorization to be used in FY 80 will be as follows:

1. 50 percent based on applications on hand December 31, 1979.
2. 50 percent based on loan obligations through February 29, 1980.
3. Funds that become available through loan collections will be used for hardship cases in those states that have used their allocations and for extra funding to those states that have been successful in making guaranteed loans.

A decision will be reached at a later date on allocating by states the $1 billion to be used in FY 1981.

NON-FARM LOANS

Mr. BURLISON. The Chairman got into this point earlier. On page 6 of your statement you say—I believe that is Mr. Cavanaugh's statement: "We are allocating a larger share of the rural housing budget to serve low-income people."

There are a number of other examples of this, that is people other than principally farmers. Since I have been in here going through my notes, I just collected a number of other areas. Last August you announced plans to participate in a demonstration housing program for the elderly. In an August 29 release, you announced approval of $50

million in loan guarantees for pollution abatement devices at Wheeling Pittsburgh Steel Corporation plants in Ohio and West Virginia.

Fifty million dollars: man, could my farmers who cannot get operating loans and cannot get farm ownership loans and cannot get moderate-price housing loans—what they could do with that $50 million.

This release went on to say that the guarantee of loans for pollution abatement equipment is aimed at preserving the employment of U.S. workers in rural areas.

How much impact on rural employment do you really think that a program like that has? And provide that in detail for the record at this point.

[The information follows:]

EMPLOYMENT IMPACT OF B&I LOAN PROGRAM

The $50 million Wheeling Pittsburgh Steel Corporation loan guarantee was made under Section 310B of the Consolidated Farm and Rural Development Act, as amended which authorizes loans for the purpose of improving, developing, or financing business, industry, and employment and improving the economic and environmental climate in rural communities, including pollution abatement and control.

The Wheeling Pittsburgh Steel Corporation loan was obligated September 11, 1979, for the specific purpose to purchase and install pollution abatement and control systems (an eligible B&I purpose) to bring the Company into compliance with State and Federal clean air and water standards. The Company was under orders by EPA to comply with these laws or have to close down their plant which would have had a drastic effect on 15,000 employees of the Company.

Employment opportunities are the major objective of the B&I loan program. Since 1974, over 145,072 new jobs have been created and another 35,455 saved in enterprise that likely would have gone out of business without FmHA help.

The following table reflects the B&I outstanding accomplishments since the inception of the program in 1974:

Year:	*Jobs created or saved*
1974	7,195
1975	18,820
1976	26,485
1977	17,852
1978	47,021
1979	63,154
Total	180,527

Mr. Burlison. You have a release dated October 19 indicating that the Federal Government will provide $5.4 million in loans and grants to the Renaissance Broadcasting Company to finance a new commercial television station in Vineland, New Jersey. "The project will promote rural and community development and help a minority-owned broadcast facility" according to your release.

That is just a number of programs that I collected here from my notes after the distinguished Chairman raised this issue with you. That is a startling collection of examples of how our department is departing from its basic function of serving agriculture and serving operating farmers.

There is a lot there that perhaps would be more appropriate in HEW or some other agency. How about responding to these concerns?

Mr. Mercure. I would be very happy to respond. Under the business and industry loan guarantee program of the Consolidated Farm and Rural Development Act, we were given authority to guarantee

the loans to private sector operations to create jobs in rural communities or to preserve them.

In those instances that you referred to, we are talking about loan guarantees for those private investments. Within the statutory authority you have provided us, the building of jobs in rural areas is really a good antidote to the increase of welfare payments. That is what the B&I program was intended to accomplish.

SHORTAGE OF OPERATING LOANS

Mr. BURLISON. I think I would agree that there is some good in these programs and that we need these programs. But not when we are talking about financing those programs at the expense of the basic programs like the operating loans. Those loans are exhausted in my district. I do not know how we are going to finance our farmers that are accustomed to putting in their crops on the basis of those loans. There is a very similar situation with respect to farm ownership loans and moderate income home loans.

My folks get approved, they are eligible, and then there is no money. I tell them that we have been appropriating more money each year. There is just not enough money to go around. The demand apparently keeps growing faster than we can supply it.

Is that a reasonable explanation? Or is there another explanation for the reason that all of these folks get approved and they have to wait for months to get the money, if they ever get it?

Mr. MERCURE. Mr. Burlison, virtually every program that Farmers Home operates, including the farm ownership, the farm operating, the housing loans, the water and sewerage systems, farm ownership and operating loans, the economic emergency loans, the water and sewer programs, the community facilities loans for small communities, and the B&I are basically all oversubscribed.

Mr. BURLISON. Put in the record at this point, if you would, for the last three years—put 1978 and 1979 actual figures and estimates for 1980 and 1981 for operating loans, farm ownership loans, and moderate income home loans, the amount that has been appropriated and expended for these programs.

Mr. MERCURE. Certainly.

[The information follows:]

SELECTED LOAN OBLIGATIONS AND AUTHORIZATIONS, FISCAL YEAR 1978-81
(DOLLARS IN THOUSANDS)

	FY 1978 Actual	FY 1979 Actual	FY 1980 Estimate	FY 1981 Estimate
Loan obligations:				
Farm operating loans 1/	$780,628	$894,754	$875,000	$875,000
Farm ownership loans 1/	550,847	763,165	870,000	870,000
Moderate-income family housing loans	900,700	806,500	820,000	467,000
Appropriations:				
Farm operating loans 1/	825,000	925,000	875,000	875,000
Farm ownership loans 1/	550,000	800,000	870,000	870,000
Moderate-income family housing loans 2/	775,000	800,000	820,000	467,000

1/ Includes insured and guaranteed loans.
2/ Reflects program level estimate within total insured loan authorization. Total available for nonsubsidized housing loans in FY 1978 was $1,049,000,000.

Mr. BURLISON. These are vital programs. We have got to figure out some way to get more adequate funds to carry on these farmer loans. They are for farmers. They are for operating, producing farmers; and we need to do something about it.

Do you have a time frame for your processing and reviewing of loan applications? What does it run at the county, State, and Washington offices? I would like for you to provide that in detail for the record if you will.

[The information follows:]

TIME FRAME FOR PROCESSING LOAN APPLICATIONS

Our regulations provide that applicants will be given written notice of their eligibility within 30 days after receipt of a complete application. In some cases, usually due to a shortage of loan funds or workload in the county office, loans are not approved during this time. In a shortage of loan funds situation, there may be an extended delay in loan approval. Overall, the time required for processing, review and approval varies, depending upon the circumstance at the time.

FARM CREDIT ADMINISTRATION

Mr. BURLISON. In a news release dated March 22, you announced the Farm Credit Administration, to make more effective use of Federal loan funds—has an agreement meant to broaden the authorities to permit Farmers Home Administration to guarantee Federal land bank and production credit association loans in the general categories as established by Farmers Home: farm ownership, operating loans, economic emergency, soil and water, disaster, and emergency livestock.

What was the rationale or what were the driving factors to bring about this move?

Mr. MERCURE. Last year Congress gave us authority to guarantee loans from the private sector for farm operations and farm owner-

ship. We ran into a difficulty with the Farm Credit Administration's variable interest rate. As you know, they peg their interest rate depending on what their cost of borrowing is. Our guarantee procedures up to that point contemplated fixed rates——

Mr. BURLISON. Excuse me for interrupting. Because of the press of time, let me ask that you enlarge on that for the record and complete your answer for the record to include—and I think this is what you are doing now. Give the advantage of the program. Also include the risks that are inherent in this for the Government.

[The information follows:]

ADVANTAGES AND DISADVANTAGES OF FMHA GUARANTEE OF AN FLB OR PCA LOAN

Advantages

1. Enable longer terms and encourage terms tailored to cash flow repayment capabilities of the borrower.
2. Increase effective yield on loan by selling off guaranteed portion and retain service fees.
3. Reduces exposure of lender.
4. Charge customary fee and pass on one time only guarantee fee to borrower.
5. Permit leverage of available loan funds.
6. Guaranteed portion readily marketable.
7. Interest rate can be variable rate.

Disadvantages

1. Must stay within regulatory limits of maximum loan to market value of security.
2. Retain full responsibility for servicing and liquidation (if necessary).

Basic rationale for FmHA encouraging Guaranteed Loan Program

1. Reduce current obligations of the Treasury. No charge to Government unless a loss payment made to lender. Loss payments would be after liquidated security reduced debt of the borrower.
2. Reduce demand on FmHA personnel for servicing. Lender has full responsibility for loan making and servicing.

There was a limitation on variable rate interest as to how often it could change. This limitation has now been removed. PCA & FLBA can charge the same rates, in the same manner, as they do to their best customers.

GASOHOL

Mr. BURLISON. And finally, I did not notice any mention of plans or programs for gasohol in reading the statement. There may have been something in there. If so, I overlooked it. I know you presently do have monies for this purpose; I believe you do. What are your plans for 1981? Are you considering doing any special work, monumental work in the area of gasohol?

Mr. MERCURE. We are looking at what Congress is contemplating in S. 932. In the meantime, for 1980 we have set a goal for energy projects out of our business and industry loan guarantee program. That goal is currently set at $100 million for 1980. For 1981 we hope that we have the legislative authority that comes out of S. 932.

Mr. BURLISON. Would you enlarge on that answer for a real detailed amplification of what you expect to be doing next year on that?

Mr. MERCURE. Yes.

[The information follows.]

GASOHOL PLANS

As of the first week of March, Farmers Home Administration offices throughout the country had reecived inquiries on loan assistance for approximately 200 alco-

hol projects. If all these became formal applications, the total amount of lending could well exceed $400 million. This would be four times the amount of funding that Farmers Home will be able to provide during FY 1980.

Although all those inquiries will not become formal applications, these totals do give some idea of the widespread interest in alcohol production at the farm and/or community level.

The rate of increase in interest over the last several months is not expected to diminish. More and more inquiries are expected and more and more applications will be received. As the experience required to set up and operate alcohol plants increases, so too will the number of plants actually in operation.

FARMERS HOME ADMINISTRATION LOANS TO YOUNG FARMERS

Mr. BURLISON. I know you have a program for young people (young farmers). Can you explain the criteria followed in qualifying for the FmHA monies. Do they have to be disqualified or disapproved by all other sources before they are eligible through your Agency?

Mr. CAVANAUGH. Our main source of assistance for young or beginning farmers is the operating and farm ownership loan programs. However, these programs are not limited to young farmers. As with all other Farmers Home loans, there is a test for credit elsewhere and the applicant must have sufficient experience or training in farming to assure a reasonable prospect for success.

In addition to the operating and farm ownership loan programs, we assist established young farmers through our disaster emergency and economic emergency loan programs when they suffer qualifying losses due to natural disasters or there is a lack of adequate credit due to economic conditions. These loans are not limited to family size operations. There is a test for credit requirement.

FMHA PERSONNEL POSITIONS

Mr. BURLISON. You tell us you are adding 469 positions, as approved by our Committee. Can you provide for the record a State breakdown on the distribution of the personnel?

Mr. CAVANAUGH. Most of the 469 positions have effectively been utilized since the beginning of the fiscal year on a temporary overstaffing basis. The Area Coordinators are currently working with the State Directors on a permanent distribution of these personnel. As soon as I have an opportunity to act upon these recommendations and allocate the positions on a more permanent basis I will then be glad to provide this information.

LONG-TERM PROGRAM COST PROJECTIONS

Mr. BURLISON. On April 24, 1979, GAO put out a report on "Long-Term Cost Implications of Farmers Home Administration Subsidized and Guaranteed Loan Program." The report went into detail relative to program costs not identified by authorization amount and gave recommendations to follow. What has the Department done to implement the guidelines set out?

Mr. CAVANAUGH. Farmers Home presently indicates long-term program costs through its ZBB budget submission and the budget explanatory notes submitted to Congress. Present estimates are manually prepared and a time consuming operation. Farmers Home agrees that a more sophisticated mode of cost projection should be developed.

More advanced automated budget projection methods are necessary to accommodate the complexity and variability of discrete program activities.

Farmers Home is working to establish policies regarding cost projections and the use of computer models. It is considering the "unit step" approach discussed in the GAO recommendation to determine its applicability to FmHA programs. The proposal that specific unit costs be required deserves further analysis within the context of the varying circumstances and demands of different program activities. Finally, Farmers Home concurs with the report that information requirements should be incorporated into the development of computer systems and models, if Congress desires and resources are made available.

FUTURE FARMERS OF AMERICA

Mr. BURLISON. In a December 6, 1979 news release you announced a grant of $89,790 to the Future Farmers of America for community development. The grant was to be used in community development training for high school vocational agriculture teachers and to develop and introduce a model college level community development curriculum to vocational agriculture educators.

In a critical time with our monies being so short in the action programs, what is the justification?

Mr. CAVANAUGH. We have tried to balance our programs and establish the best possible mix between the resource planning needed in rural areas, the development and planning of needed facilities and the establishment of the capability of these rural communities to manage available resources to improve the viability and growth potential of rural areas and the farm sector. We feel that proper education is a critical element in this approach. This grant makes a substantial contribution in this area.

FMHA NAME CHANGES

Mr. BURLISON. Last year in part 4, page 542, you told us that a draft bill had been recommended by the Department of Agriculture to amend the Consolidated Farm and Rural Development Act to change the name of Farmers Home Administration to the Rural Development Administration. What happened to that bill?

Mr. CAVANAUGH. Although such a proposal was considered within the Department, no formal legislation was forwarded to the Congress.

SUBCOMMITTEE RECESS

Mr. BURLISON. The subcommittee will stand in recess until the return of the Chairman in a few minutes.

[Recess taken to vote.]

BACKGROUND OF TOP FMHA MANAGEMENT

Mr. WHITTEN. The Committee will proceed. Messr's. Traxler, Alexander, and Robinson have some questions they would like answered for the record.

BUDGET CHANGES

Mr. TRAXLER. Mr. Secretary, we know the President is contemplating reductions in the fiscal 1980 appropriation and in the fiscal 1981 request. Can you tell the Subcommittee what FmHA programs may be the victims of the proposed cuts?

RESPONSE. It is too early in the process of developing proposals for changes in the President's budget to know. However, the changes might affect FmHA's programs.

Mr. TRAXLER. What recommendations did you make to the Department when asked to propose program reductions? What recommendations were made to OMB?

RESPONSE. I have not been directly involved in the consideration of program reductions to date. However, I participated in a meeting with the Secretary and other policy officials of the Department to discuss the approach which the Department could consider for making recommendations to OMB. During the meeting we discussed general areas in the context of their likely impact on the current inflation situation. Included among the discussions were the question of interest rates, availability of credit, and targeting credit to place additional emphasis on energy-reducing projects.

ECONOMIC EMERGENCY LOAN PROGRAM

Mr. TRAXLER. We know that many farmers are interested in the increase of authority under the Economic Emergency Loan Program. The proposal that is before the House today would increase the program's authority by $2 billion. Many farmers, however, applied and did not receive loans because the funds ran out. What is the size of the backlog of applications you have in this program?

RESPONSE. We estimate that there are $400 million worth of applications on hand that cannot be funded at this time. The average loan size to individual farmers as of September 30, 1979 was $60,265. With an average loan size of $60,000, it is estimated that between 6 and 7 thousand applications are on hand at the present time.

Mr. TRAXLER. Will the $2 billion be enough?

RESPONSE. We believe that the $2 billion projected increase in outstanding principal authorized will be adequate. That judgment is based primarily on changes made by the Agency which restricts the use of loan funds for total refinancing. In the past, 65 percent of the economic emergency loan funds were used for the purpose of refinancing. At the present time, total refinancing of outstanding indebtedness is not permitted under any condition. Now refinancing is limited to the amount required to refinance delinquent installments plus one future installment. The future installment can be refinanced only when it can be determined that the applicant's cash flow is not adequate to meet the one future installment.

The refinancing restrictions along with an anticipated increase in principal payments which can be re-loaned, should result in the $2 billion increase being adequate.

FARMERS HOME ADMINISTRATION INTEREST RATES

Mr. TRAXLER. While Farmers Home offers better interest rates to farmers, your rates are increasing along with all other interest rates. Many farmers tell me that they cannot afford the terms of the loan, but need the loan to continue in operation. What is your reaction to interest rate ceilings on your various lending programs?

RESPONSE. As you know, most of our interest rates are either set by law or are determined by formulas which are specified by law. We try to see that our rates are fair and equitable and that we are offering the best rate possible particularly for limited resource farmers including those just starting out. Right now the money market is experiencing spiralling interest rates. We are on the extreme moderate side of this trend.

Mr. TRAXLER. How many farmers do you estimate that you will have to turn away this year because of the higher interest rates?

RESPONSE. It is the opinion of Farmers Home that the interest rates required by the Agency will be insignificant as they relate to any increase in the number

of farmers who will be unable to meet Farmers Home requirements. Farmers in severe financial difficulty always have trouble meeting Farmers Home repayment schedules regardless of the interest rates. Restructuring of debt, along with credit and management counseling, is a much more effective way of assisting farmers through a financial crisis and has a much more positive impact on repayment ability than does interest rates.

FORECLOSURE ACTIONS

Mr. TRAXLER. It seems that there are more foreclosures coming about on loans this year, at least in Michigan. How does your foreclosure rate during the current year compare with your experiences over the past five years?

RESPONSE. Foreclosures of single family housing completed in Michigan in 1978 were 89 and in 1979 were 128. Nationally these figures were 1995 and 2137 respectively. Total liquidations resulting in acquisitions is a more representative figure as approximately ⅔ of these liquidations come about through voluntary conveyance and only ⅓ thru foreclosure. The accompanying table compares caseload to acquisition for the calendar years 1971 through 1978.

[The information follows:]

FARMERS HOME ADMINISTRATION—SINGLE FAMILY HOUSING PROPERTIES

[Number of properties]

Calendar years	Properties under loan	Acquisitions by the fund	Ratio (percent)
1971	426,271	788	0.18
1972	517,139	1,840	.35
1973	575,902	3,961	.68
1974	641,888	6,150	.96
1975	715,224	8,750	1.22
1976	749,894	11,216	1.50
1977	768,511	10,838	1.41
1978	820,601	6,906	.84
1979	895,490	6,076	.68

Mr. TRAXLER. Can you detail what is your policy on handling foreclosures? For example, I realize that there is a requirement that you publicize the fact of a foreclosure auction sale when one takes place for a period of five consecutive weeks. Which five weeks do you use? The five weeks immediately preceding the foreclosure? The five weeks immediately after the announcement of the foreclosure? Is it a matter in the discretion of the State FmHA office?

RESPONSE. The procedure for foreclosure varies considerably from state to state. Generally, there are very strict requirements regarding public notification and it is not a matter for discretion in our State Offices. Let me emphasize that every effort is made to keep the borrower current and keep him in the home. It is unfortunate that these procedures are necessary.

Mr. TRAXLER. How do various State laws impact on your foreclosure process?

RESPONSE. As we have indicated, the foreclosure process is very complex and varies considerably from state to state. Our procedures are weighed heavily to keep the borrower in the home, but when foreclosure becomes necessary, our procedures are governed to a great extent by state law.

Mr. TRAXLER. When you announce a foreclosure sale, is it an FmHA requirement that you publish the name of the owners of the property being sold, or is that a matter totally controlled by state statute?

RESPONSE. The procedure of publication in foreclosure are governed by state law.

FMHA PERSONNEL

Mr. TRAXLER. I appreciate the fact that FmHA offices are often overworked and/or understaffed. But I am receiving more and more complaints from applicants that they are not receiving good treatment from County FmHA offices. The most frequent complaint is that the people in the County office just don't seem to care about the problems of the individual farmer. This complaint seems to be more prevalent among those who are undergoing foreclosures, but I have heard it from a number of people. What are you doing to train your personnel to deal

with the problems that some farmers are having, and the emotional reactions that some people may have when they come into a county office?

RESPONSE. County Office Staff are being trained to render counseling and guidance to loan applicants through courses designed to provide the services. Courses such as "Loan Supervision and Servicing," "Loan Making and the County Servicing," are basic examples.

In addition, County Office personnel are being trained to deal with emotional applicants through courses such as "Introductory Communication Techniques," "Supervisory Development," "Introduction to Supervisory Practices," and "Seminar in Office Management."

Mr. TRAXLER. We discussed last year the problem of assigning sufficient numbers of personnel in areas with higher workloads. You described the efforts you were making to improve personnel assignments. Can you give me an update on the results of your efforts.

RESPONSE. Several factors have helped us to allocate our positions in a more equitable manner. State management plans have provided insight as to how each state will use its resources of manpower and money to achieve program goals. The newly developed Resource Management System is also beginning to provide some data on work performance and we are able to interpret this into manpower needs.

PUBLIC INFORMATION

Mr. TRAXLER. Another factor which I raised with the Secretary is that it seems that farmers are not being given enough information about when to apply for operating loans. By the time some farmers get to their County Office they find that money for the current quarter has been used up, and in many cases in Michigan they also find that the County Office has so many applications outstanding that if they were to approve all of them, they would be out of money for the entire year. Maybe this is a management problem unique to Michigan, but can you tell me what information you require a State FmHA office to put out to help farmers understand when is the best time to apply for a loan?

RESPONSE. FmHA allocates its obligational authority to the states on a quarterly basis early in the fiscal year, using historical data to project quarterly demand. The quarterly allocation system takes into consideration the total available for the year and permits an orderly flow of funds during the year.

All states are encouraged to use the news media, other agencies and organizations to inform farmers that funds are available and that applications may be filed in local Farmers Home offices. The number of applications for operating credit this year has increased substantially. The funds available in Michigan and other states will be inadequate to meet this demand.

ENERGY WORKSHOPS

Mr. TRAXLER. I noted in your statement that you are providing workshops to help farmers understand how to produce fuel from grain. Can you tell me what assistance you may be receiving from SEA-Extension with this program? It seems to be a function more in line with their activities than yours, although your efforts are very much appreciated.

RESPONSE. From November 1979, to January 1980, Farmers Home Administration cosponsored, in cooperation with the Economic Development Administration a series of eleven regional workshops on fuel alcohol. While the major purpose of these workshops was to provide information for FmHA and EDA state and regional employees, farmers were in attendance at each meeting. FmHA and EDA received advice from SEA extension prior to the first regional workshop.

Mr. TRAXLER. In these workshops, how much do you emphasize the danger of ethanol production? Some of the researchers at Michigan State have told me that they are concerned that not enough information is being provided to farmers about the dangers of fuel production. It appears that many companies are more interested in making money on the new-found interest in gasohol, and are selling less than totally safe alcohol stills.

RESPONSE. The danger of ethanol production was stressed during the presentation at every workshop. As was noted in your question, there are many unscrupulous or well-meaning, but incompetent operators who are taking advantage of the sudden interest in the use of alcohol as a fuel. All present were informed that the best protection was to study thoroughly the manufacturer

and to take all normal precautions one would associate with the handling of a flammable liquid such as alcohol. One of the main purposes of these workshops was to insure that FmHA and EDA extended loans and/or grants only on the best and safest equipment on the market.

BUSINESS AND INDUSTRIAL LOAN PROGRAM

Mr. TRAXLER. You may recall that in Conference with the Senate last year we spent some time discussing the propriety of some loans that you made under the B&I program. There was some concern that certain loans were too large and went to enterprises not sufficiently concerned with agriculture. Some of us are reluctant to place a dollar limit on these loans because of problems such a limit might create on large cost agricultural projects, for example refitting a sugar beet processing plant. Can you give me your feelings on the matter, Secretary Mercure?

RESPONSE. As you know, the Business and Industry Loan Program provides financial assistance to all types of businesses and industries, including those associated with Agriculture (except production). All projects have two things in common. Creating or preserving jobs in rural communities; and they bolster the local economy by providing additional revenues through local taxes.

Since the program's inception, 58.8 percent of all B&I loans have been of $500,000 or less. Another 39 percent represent loans in a range between $500,000 and $5,000,000. The cumulative average size of all B&I loans is $761,679. The average loan size has increased from 1974 to 1979, from $555,132 to $820,264, mostly attributable to inflation.

The overwhelming majority of loans are made to small and medium-sized businesses. A medium size business, in our opinion, requires financing of $500,000 to $5,000,000.

Over 97 percent of all B&I borrowers have loans of under $5,000,000 and 81 percent below $1 million.

In order to maintain a firm control on large loans, our B&I regulations were recently revised to provide for all preapplications for loans of over $5,000,000 to be sent to Washington for pre-screening review to evaluate the size of loan, availability of guarantee funds, priority and purposes. This permits us to monitor large loan requests and should eliminate questionable and excessively large applications before the borrowers are encouraged to proceed further.

FmHA is closely watching the size of loans and is coordinating its efforts with our federal, state and local agencies to maintain a balance between loan size, jobs, and need for economic development. We believe that our current policies must be flexible and innovative due to the rapidly changing dynamics of rural areas; therefore, we do not propose legislative or regulatory changes to cap loan sizes.

ALCOHOL FUELS

Mr. ALEXANDER. On January 19, Farmers Home Administration announced that $100 million in business and industrial loan guarantee program authority would be set aside for use in assisting in establishing small-scale alcohol fuel production facilities. I have a number of questions relating to this action. Has USDA awarded any loan guarantees for alcohol fuel plants under the B&I program? If not, why not and when does USDA expect to put the program into operation?

RESPONSE. Yes, according to our preliminary records, we currently have 13 preapplications and applications in the process cycle for a total amount of $18,200,000. One loan for $352,000 was recently obligated and one loan for $106,000 is in current operation since FY 1977. Since this is a relatively new area of business, we are in the process of revising our records systems to catalog energy-related projects. The Agency is being inundated at this time with telephone and correspondence inquiries on energy loans.

Mr. ALEXANDER. What steps has FmHA taken to accelerate its time-table for processing alcohol fuel plant applications?

RESPONSE. We have assigned several staff members full-time at the National Office to handle the energy situation. The USDA has recently published a booklet on USDA's efforts to provide assistance to persons seeking financial and technical assistance for alcohol fuels program. All loan applications for alcohol fuel projects require the same credit standards as other businesses and industries, except that equity requirement is a minimum of 20 percent. The processing cycle

remains the same. No specific exceptions in the law or regulations have been made for alcohol fuel projects. However, FmHA has established a goal and priority of $100 million for these types of projects.

Mr. ALEXANDER. What is the status of FmHA's recently developed guidelines for processing applications for alcohol fuel plant loan guarantees?

RESPONSE. FmHA is currently working with the Department of Energy and the Economic Development Administration in a Cooperative Agreement of Understanding which will include specific guidelines and procedures for handling loan applications for alcohol fuels. Such coordination is aimed at providing the public with a united effort of the respective agencies to assist businesses in obtaining financial assistance.

Mr. ALEXANDER. What is the maximum per year production output capacity under USDA's alcohol fuel plant small-scale size determination?

RESPONSE. It is estimated that business and industry guaranteed loans may account for up to 500 million gallons in annual plant capacity by 1981. Based upon a review of the large universe of inquiries on file at DOE, SBA, FmHA and EDA, the Interagency Working Group on Alcohol Fuels Production has developed the following four broad project categories. The four categories are: Production below 500,000 gallons per annum; production between 500,000 and 1,000,000 gallons per annum; production between 1,000,000 and 30,000,000 gallons per annum; production in excess of 30,000,000 gallons per annum.

It is anticipated that the new proposed Energy Security Corp. will have a statutory mandate and adequate funding to handle these large-scale type projects in category 4. The interagency effort will concentrate on the first 3 categories.

TARGETING HOUSING LOANS TO MINORITIES

Mr. ALEXANDER. It is my understanding that in addition to quality and cost of housing, income levels, and elderly population, Farmers Home Administration is also using minority population as a criteria for allocating funding. There are a number of counties in the district that I represent, as there are across my home state and in other states, that have serious housing needs, that have many people with low incomes, and that have many older citizens, but which have little or no minority residents. Since the housing interests of members of minority groups are represented, as are those of non-minority groups, by the other criteria I would appreciate your answering the following questions concerning the use of this test for allocating housing funds: What is the statutory basis for using this "minority population" measure for allocating FmHA housing assistance?

RESPONSE. Although the Farmers Home Administration is anxious to serve minority families with its housing programs, minority population is not one of the criteria used in allocating loan or grant funds. To provide a distribution that is as equitable as possible, we have allocated rural housing loan and grant funds to the States on a quarterly basis by formula of need which includes factors for each program. For section 502 insured rural housing loans, the factors are rural population, substandard housing in rural areas, rural poverty and cost of housing. For the section 504 very low income repair loans, the factors are substandard housing in rural areas and rural poverty. For section 504 very low income repair grants, the factors are substandard housing in rural areas, rural poverty, and rural elderly. Finally, for section 502 guaranteed above moderate income loans the factors are rural population, substandard housing in rural areas, cost of housing, and rural population with incomes within the range served by the guaranteed program. The State Directors have been advised to allocate section 502 rural housing funds to field offices on a similar basis of need as the National Office allocation formulas.

Separate from the allocation process, FmHA has developed minority targeting goals for each state. This has been done to offset decreases in loans to minorities and to assure them the opportunity for an equitable share in FmHA services.

Mr. ALEXANDER. Why is this criteria considered essential to the equitable allocation of FmHA housing funds?

RESPONSE. Minority population is not a factor in the National Office allocation formula of need for FmHA housing programs. The fundamental elements in the allocation process are rural population, substandard housing and incidence of poverty.

Mr. ALEXANDER. What steps have been taken to insure that poor, housing needy counties are not penalized simply because they have low or no minority population counts?

RESPONSE. As I stated before, minority population is not a part of the allocation formula. FmHA procedures and policies, however, have been formulated to provide equal opportunity for all rural residents under FmHA's programs.

FARMERS HOME ADMINISTRATION COOPERATIVE AGREEMENTS

Mr. ALEXANDER. USDA has signed cooperation agreements with the governors of a number of states. Some news media have interpreted these agreements in their news coverage as giving the governors or state Agencies varying degrees of control over where FmFA invests money within the states involved in the agreements. I would appreciate it if you could respond to the following questions concerning these agreements. With which states has USDA signed such a cooperation agreement?

[The information follows:]

North Carolina (September 22, 1978)
Florida (March 12, 1979)
New Mexico (March 20, 1979)
Arizona (May 2, 1979)
New York (July 24, 1979)
Vermont (August 8, 1979)
Arkansas (August 16, 1979)
New Hampshire (October 2, 1979)
Maine (November 15, 1979)
West Virginia (December 21, 1979)

Mr. ALEXANDER. Is it the intention of USDA that governors or state Agencies, under the terms of the agreements, will have a veto power over FmHA projects in a state?

RESPONSE. Absolutely not. None of the agreements abrogate any of FmHA's decision making authority in any way either in spirit or letter.

Mr. ALEXANDER. What is USDA's interpretation of the meaning and use of these cooperation agreements affecting the programs authorized under the Rural Development Act?

RESPONSE. In essence these agreements were sought in order to obtain state Agency cooperation in making data and information available to FmHA regarding rural conditions in each program area and to assist in leveraging state and other Federal program investments into areas which FmHA determines to be in the greatest need. This leveraging is becoming increasingly effective.

Mr. ALEXANDER. Do the agreements cover all FmHA programs? If not, which FmHA programs are affected?

RESPONSE. Yes, they cover all FmHA programs.

Mr. ALEXANDER. Does USDA hope to sign similar agreements with all of the states?

RESPONSE. No, we are not interested in signing agreements that are not meaningful. We want agreements in only those states where it is possible and helpful in developing a truly cooperative relationship.

Mr. ALEXANDER. Is the wording of the agreement the same for each state? Please provide the Subcommittee a copy of the agreement, if the wording is the same for each state, or copy of each agreement if the wording is not the same for each state.

RESPONSE. Although the agreements have common themes, the wording for each results from intensive and sometimes prolonged dialogue between high level FmHA and state Government officials and reflects as accurately as possible the nature and extent of the goals and working relationships agreed to.

We are sending you a copy of each agreement.

RURAL COMMUNITY FIRE PROTECTION GRANTS

Mr. ROBINSON. It is my view that the $3.5 million appropriated for Rural Community Fire Protection Grants in past fiscal years has been useful to many communities as reflected in the more than 3,000 grants obligated in fiscal year 1979 and the expected 3,315 grants to be awarded in fiscal 1980.

In light of this, why is an elimination of the program proposed for fiscal 1981?

RESPONSE. The rural community fire protection grants have been helpful in starting up several rural fire departments in rural areas. However, we feel that there are sufficient resources available in other programs to assist rural communities for this purpose.

Mr. ROBINSON. If it is in the Department's contention that other programs assistance is available for the purposes served by these grants, what is this other program assistance and how much is available? I would appreciate a detailed answer.

RESPONSE. Adequate credit assistance to provide equipment is available at reasonable rates and terms through the community facility loan program under the Rural Development Insurance Fund. The proposed funding for this loan program is $240 million. Also available is the surplus Government equipment program. This Forest Service program provides equipment that can be used for fire-fighting. These programs, plus credit from private lending institutions, should greatly enhance the ability of local communities to meet their fire protection needs.

WATER AND WASTE DISPOSAL SYSTEMS

Mr. ROBINSON. I noted that the budget request reflects a decrease of $16 million in funds for the Rural Water and Waste Disposal Grants. As this program provides assistance for basic human amenities, alleviates health hazards and promotes the orderly growth of rural areas by meeting the needs for new and improved rural water and waste disposal systems, what are the reasons for this reduction?

RESPONSE. The FmHA request for a reduction of FY 1981 water and waste disposal grant funds is because of increased initiatives as a result of the interagency agreement between FmHA and other Federal Agencies. Greater emphasis will be placed on encouraging the use of available grant funds for the construction of water and/or sewer systems from the Environmental Protection Agency, Economic Development Administration, and the Department of Housing and Urban Development. FmHA is participating with these Agencies in the Presidential initiative program to improve the access of rural communities to such assistance.

In FY 1979, for each one dollar of FmHA water and waste disposal loan and grant funds spent for waste disposal, $1.49 was obtained from other sources. For water systems, for each one dollar of FmHA loan and grant funds spent, $.17 was obtained from other sources.

Increased emphasis in obtaining funds for rural areas from other Federal programs will result in the maintenance of substantial program levels for FY 1981.

FMHA STAFFING

Mr. ROBINSON. You mentioned that your Agency is within 30 of reaching the 469 employees which were appropriated for in the fiscal year 1980 budget. As loan application processing has always been a problem in the field offices, could you break down for me where these 469 new employees have been assigned?

RESPONSE. Through adherence to the principle of overstaffing, most of the 469 positions have effectively been employed since near the beginning of the fiscal year. Right now our Area Coordinators are working with State Directors to finalize their staffing needs before presenting me with their recommendations. As soon as I have an opportunity to act upon these recommendations and allocate the positions on a more permanent basis, I will then be glad to provide this information.

DEBT COLLECTION PROCEDURES

Mr. ROBINSON. It has been brought to my attention by farmers in my State that FmHA employees allegedly are resorting to questionable debt collection procedures.

For instance, an individual farmer is told that his neighbors have paid up to date and that he is the only delinquent account, when in fact this is not the case.

This Committee has emphasized that the FmHA should concentrate on debt collection, however this has always been in conjunction with the admonition that the FmHA has an obligation to advise the farmer as to his economic situation.

Are there guidelines given to the field personnel which detail the procedures to be followed in collecting on delinquent accounts?

RESPONSE. Obviously, we do not condone any questionable collection practice. We encourage our staff to be fair and understanding but firm in counseling with delinquent borrowers.

Our regulations provide that delinquent and other problem cases will be reviewed at the local level by our county supervisors and district directors.

Their findings, conclusions and recommendations are discussed with the borrowers and agreements are reached for servicing the accounts. Borrowers are expected to properly account for security property income and to pay according to their ability.

Mr. WHITTEN. Mr. McHUGH.

INCOME LEVELS

Mr. McHUGH. As you retarget the 502 program, what do you anticipate that the effective income ceiling will be nationally and for New York?

Mr. CAVANAUGH. The income limits are expected to vary with the area median income from area to area. We have identified approximately 484 areas. The low-income definition may vary from as low as $6,000 or $7,000 to as high as $15,000 or $16,000 before adjustments. New York's low-income definition may vary from as low as $11,000 or $12,000 to as high as $15,000 or $16,000 before adjustments.

Mr. McHUGH. Do you anticipate a decreased need for assistance for moderate-income housing in the 502 program?

Mr. CAVANAUGH. We do not anticipate a decrease in the need for assistance to moderate-income applicants for the 502 program. However, we do feel it is our mission to target our programs to assist the disadvantaged people and distressed communities to the extent possible.

Mr. McHUGH. What is your current backlog of eligible but unfunded families?

Mr. CAVANAUGH. Nation-wide we have 138,022 applications on hand as of December 31, 1979. We cannot accurately tell the part of these that will be eligible for assistance. The backlog of applications, however, varies from office to office.

Mr. McHUGH. Is the demand heavier for interest credit or non-interest credit loans?

Mr. CAVANAUGH. We anticipate our heaviest demand will be for interest credit loans. Especially with the costs of homeownership increasing at a faster rate than the income of FmHA applicants. Interest credits will be very important for the success of many borrowers in becoming homeowners.

FMHA HOUSING PROGRAM

Mr. McHUGH. How is the local area medium income calculated by FmHA for housing program eligibility?

Mr. CAVANAUGH. The present income limits for eligibility for FmHA rural housing programs are $11,200 for low, $15,600 for moderate, and $20,000 for above-moderate incomes. Section 502(b) of public law 96–153, the Housing and Community Development Amendments of 1979, defines low-income as "families and persons whose incomes do not exceed 80 per centum of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families—and the Secretary may establish income ceilings higher or lower than 80 per centum of median income on the basis of his findings that such variations are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or other factors."

FmHA has identified approximately 484 areas and is working to compile, from Census data by county, the weighted median incomes for these areas. FmHA is also working to make the necessary adjustments to insure use of the Section 502 program in all areas. We are counseling with the staff of the House Subcommittee on Housing and Community Development in this regard. Adjustments are critical in that the 80 per centum of median formula was first designed for the HUD Section 8 program where affordability is not a question.

Once the low-income levels are identified, a percent of median figure can be developed for both moderate and above-moderate income levels.

Mr. McHugh. How often are these figures updated?

Mr. Cavanaugh. It is expected that these figures will be updated regularly, probably on an annual basis.

Mr. McHugh. In my own State of New York, all of the Farmers Home programs are very popular and generally well managed. In the 502 program, there is always a high demand and usually insufficient funds to extend assistance to eligible families. Would you explain your allocation procedures and provide for the record a three-year historical table which indicates the allocations for the 502 on a State by State basis.

Mr. Cavanaugh. To provide a distribution that is as equitable as possible, we have allocated rural housing loan funds to the States on a quarterly basis by formula of need which includes the following factors: The State's percentage of National rural population, the State's percentage of National rural population living in dwellings which lack complete plumbing and/or are crowded, the State's percentage of National rural population below poverty level, and a cost indicator.

We have also encouraged State Directors to target FmHA assistance within each State to those areas most in need of assistance. This may result in a different distribution of funds within States than in previous years. However, State Directors are encouraged to target in such a manner as to consider FmHA commitments. Commitments include conditional commitments and a reasonable allocation for approved subdivisions that were developed with FmHA encouragement.

We will provide tables for the record showing the allocation of Section 502 insured housing loan funds by State for the current and past two fiscal years. Actual obligations incurred may be somewhat higher or lower.

[The information follows:]

FmHA AN No. 376 (1940)
Attachment C-2
Page 1

SECTION 502 RH LOAN AUTHORIZATIONS
(INSURED)
For Fiscal Year 1980
(in millions)

State	Subsidized	Nonsubsidized	Total
Alabama	$ 57	$25	$ 82
Alaska	12	8	20
Arizona	20	7	27
Arkansas	60	21	81
California	62	21	83
Colorado	24	10	34
Connecticut	13	5	18
Delaware	6	3	9
Florida	55	18	73
Georgia	66	30	96
Hawaii and Am. Samoa	10	5	15
Idaho	29	8	37
Illinois	58	22	80
Indiana	60	20	80
Iowa	51	24	75
Kansas	30	17	47
Kentucky	70	27	97
Louisiana	73	24	97
Maine	39	8	47
Maryland	24	10	34
Massachusetts	26	6	32
Michigan	60	28	88
Minnesota	43	20	63
Mississippi	75	26	101
Missouri	61	22	83
Montana	16	6	22
Nebraska	26	9	35
Nevada	6	3	9
New Hampshire	14	5	19
New Jersey	30	9	39
New Mexico	17	7	24
New York	74	27	101
North Carolina	109	50	159
North Dakota	19	6	25
Ohio	49	20	69
Oklahoma	54	19	73
Oregon	43	12	55
Pennsylvania	55	27	82
Rhode Island	6	3	9

FmHA AN No. 376 (1940)
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SECTION 502 RH LOAN AUTHORIZATIONS
(INSURED)
For Fiscal Year 1980
(in millions)

State	Subsidized	Nonsubsidized	Total
South Carolina	51	22	73
South Dakota	23	7	30
Tennessee	68	33	101
Texas	78	33	111
Utah	21	6	27
Vermont	22	5	27
Virginia	64	23	87
Washington	24	10	34
West Virginia	35	15	50
Wisconsin	51	17	68
Wyoming	8	4	12
Guam and Trust Terr.	14	5	19
Puerto Rico	100	15	115
Virgin Islands	6	3	9
Subtotal	2,167	816	2,983
HUD-USDA Demo	10		10
Weatherization		5	5
Reserve	43	39	82
TOTAL	2,220	860	3,080

FmHA AN No. 282 (440)
Attachment C-2

SECTION 502 RH LOAN AUTHORIZATIONS
(INSURED)
For Fiscal Year 1979
(in millions)

State	Subsidized	Nonsubsidized	Total
Alabama	$ 47	$ 25	$ 72
Alaska	12	8	20
Arizona	18	6	24
Arkansas	57	22	79
California	54	19	73
Colorado	23	12	35
Connecticut	11	4	15
Delaware	8	4	12
Florida	48	16	64
Georgia	49	27	76
Hawaii and American Samoa	12	6	18
Idaho	31	10	41
Illinois	52	22	74
Indiana	56	21	77
Iowa	51	28	79
Kansas	29	21	50
Kentucky	59	26	85
Louisiana	68	23	91
Maine	40	8	48
Maryland	20	9	29
Massachusetts	25	6	31
Michigan	51	29	80
Minnesota	38	21	59
Mississippi	69	26	95
Missouri	55	22	77
Montana	16	6	22
Nebraska	26	10	36
Nevada	8	4	12
New Hampshire	14	6	20
New Jersey	29	9	38
New Mexico	14	7	21
New York	70	28	98
North Carolina	97	53	150
North Dakota	19	7	26
Ohio	33	16	49
Oklahoma	55	22	77
Oregon	45	13	58
Pennsylvania	36	23	59
Rhode Island	8	4	12

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SECTION 502 RH LOAN AUTHORIZATIONS
(INSURED)
For Fiscal Year 1979
(in millions)

State	Subsidized	Nonsubsidized	Total
South Carolina	$ 41	$ 21	$ 62
South Dakota	23	8	31
Tennessee	59	36	95
Texas	60	29	89
Utah	24	7	31
Vermont	24	6	30
Virginia	59	23	82
Washington	21	10	31
West Virginia	29	15	44
Wisconsin	47	17	64
Wyoming	8	5	13
Guam and Trust Territories	12	5	17
Puerto Rico	107	18	125
Virgin Islands	8	4	12
Subtotal	$1,975	$833	$2,808
HUD-USDA Demo.	10		10
Weatherization		10	10
Reserve	22	17	39
TOTAL	$2,007	$860	$2,867

SECTION 502 RH LOAN AUTHORIZATIONS
(INSURED)
For Fiscal Year 1978
(in millions)

STATE	Subsidized	Nonsubsidized	Total
ALABAMA	$ 36	$ 28	$ 64
ARIZONA	17	6	23
ARKANSAS	46	25	71
CALIFORNIA	54	18	72
HAWAII, SAMOA	10	5	15
GUAM, ~~SAMOA~~, & PAC. TRUST TERR.	10	5	15
COLORADO	19	13	32
DELAWARE	10	5	15
MARYLAND	19	10	29
NEW JERSEY	23	11	34
FLORIDA	40	16	56
GEORGIA	38	27	65
IDAHO	30	13	43
ILLINOIS	39	24	63
INDIANA	42	22	64
IOWA	38	38	76
KANSAS	29	30	59
KENTUCKY	60	28	88
LOUISIANA	48	22	70
MAINE	38	8	46
MICHIGAN	30	31	61
MINNESOTA	28	26	54
MISSISSIPPI	48	29	77
MISSOURI	45	25	70
MONTANA	16	6	22
NEBRASKA	22	12	34
NEW MEXICO	11	6	17
NEW YORK	58	35	93
NORTH CAROLINA	78	64	142
NORTH DAKOTA	16	7	23
OHIO	25	16	41
OKLAHOMA	51	30	81
OREGON	35	14	49
ALASKA	10	6	16
PENNSYLVANIA	22	23	45
SOUTH CAROLINA	36	22	58
SOUTH DAKOTA	22	9	31
TENNESSEE	59	47	106

SECTION 502 RH LOAN AUTHORIZATIONS
(INSURED)
For Fiscal Year 1978
(in millions)

STATE	Subsidized	Nonsubsidized	Total
TEXAS	$ 41	$ 27	$68
UTAH	25	8	33
NEVADA	10	5	15
VERMONT	22	7	29
CONNECTICUT	12	5	17
MASSACHUSETTS	24	6	30
NEW HAMPSHIRE	12	7	19
RHODE ISLAND	10	5	15
VIRGINIA	54	27	81
WASHINGTON	20	11	31
WEST VIRGINIA	27	17	44
WISCONSIN	34	15	49
WYOMING	10	6	16
PUERTO RICO	74	10	84
VIRGIN ISLANDS	10	5	15
SUBTOTAL	1,643	923	2,566
HUD-USDA DEMO. SET ASIDE	10	0	10
RESERVE	67	32	99
TOTAL	$1,720	$955	$2,675

Mr. WHITTEN. Mr. Mercure, this does bother me a whole lot. For the last three years it has been evident on this side of the table that we have had lots of expert and fine people in the department at the top level, but that none of them have a farm background. I was just looking at the résumés to be sure.

In many cases they are brilliant people. In many cases they are highly trained and highly skilled. But, when the Secretary is out of town, we are left in the hands of expert people without any knowledge of farming. As I said earlier, I urged Mr. Cavanaugh to get Mr. Sprague down there and discuss with him the need for somebody who knew the farm problems. Mr. Sprague did retire, as you know.

I am wondering if we do not need to urge the President to give you an assistant with a farm background, Mr. Cavanaugh, so that we can get back to our original place. Would it help you to get one? I presume you have asked for a farmer to help you.

Mr. CAVANAUGH. One of the positions that was created in the National Office is the Deputy Administrator for Farm and Family Programs. The person that I selected and whom the Assistant Secretary approved was Allan Brock, who was a career Farmers Home employee, had served for 12 years as the chief of farmer programs in Missouri, and later had a term of service as its State Director.

Mr. WHITTEN. I looked back in about the fourth row and I saw the people that ran the farm programs for years. You have so many people—we are glad to have you all here today—but I do not know whether I see any people experienced in the farm programs close up to the front or not.

What can we do to get back to the basics?

Mr. CAVANAUGH. I am sure Mr. Mercure wants to say something. I felt quite proud of the farm lending that the agency has had in recent years.

DEBT REFINANCING

Mr. WHITTEN. Well, I tell you, like a former head of CCC said: "a whole lot disappeared and a whole lot of money was issued on checks." But the purpose of the agency was to help a fellow get his finances straightened out and get him started making money. But you did not talk about that at all.

I notice that you did not deny that you loaned the money this year to pay last year's debts so you would not have any delinquencies.

Mr. CAVANAUGH. I think you will find in the history of the agency that there has been regular refinancing of its own debt——

Mr. WHITTEN. Prior to coming up here.

Mr. CAVANAUGH. No, I think that that is a regular method of assisting the farmer——

Mr. WHITTEN. You are lending him money this year to take up what he was deficient last year. You do not call that delinquent?

Mr. CAVANAUGH. Not if he is able to maintain the current payments on the new loans.

Mr. WHITTEN. If that ability to maintain it comes from inflation, do you take that into account?

Mr. CAVANAUGH. I think, if someone is able to make current payments on a limited income and can do it in inflation, he is doing well.

Mr. WHITTEN. Could you put in the record how many were delinquent before you made the new loans? That way, we will get to it.

Mr. CAVANAUGH. We will see if we can develop that figure for you.

Mr. WHITTEN. Surely, if you are going to run a $20 or $30 billion corporation, you would have figures like that right at your finger tips, would you not?

Mr. MERCURE. We probably have figures on refinancing.

Mr. WHITTEN. Do you want to speak for him?

Mr. MERCURE. I think, to the extent that we get it, we will get you that information.

On operating loans, which are term loans, we normally expect that the crop this year will pay the loan that we made in the previous year.

Mr. WHITTEN. That is what we are in hopes of, but if you had to lend them money for the coming year to pay for last year, would you not call that a fellow running behind?

Mr. MERCURE. It happens from time to time that a farmer will not be able to pay his entire loan.

Mr. WHITTEN. I am sure of it. But I think in our position that you should know how many are like that and I should know how many are like that, and the Congress should know so that we might work to strengthen the situation.

[The information follows:]

FARM OPERATING LOAN DELINQUENCY

As of September 30, 1979, there were a total of 79,650 borrowers in the farm operating loan program. Of this number, 15,020 borrowers were delinquent. No specific records are kept on a national basis of the number of farm operating loan borrowers who were delinquent on similar loans in the previous year. However, in reviewing loan applications the ability to repay the indebtedness is a primary factor. At the same time, in most cases it would be in the best interest of the program to continue loans to viable producing farm operations.

Mr. WHITTEN. When I found out that all the people at the top level are housing people or international relations people or folks who come out with this book written for nine to 12 year olds. Somebody said he showed it to his boy and his boy said: "Daddy, that's too young for me."

Actually, the book is interesting and it will probably be a best-seller. But it is not the purpose for which we appropriated the money.

Mr. MERCURE. Let me first say that I do have some farm background.

Mr. WHITTEN. Not in the lending of $20 billion. I don't either.

Mr. MERCURE. No, I do not have that kind of background.

Mr. WHITTEN. See, I have an advantage. I just have to ask the questions.

[Laughter.]

Mr. MERCURE. In my farming experience, though, I was on the borrowing side.

MOBILE HOME LOANS

Mr. WHITTEN. While I was at home this last time, I was asked to go see the mobile homes manufactured in that area. I was surprised—I mean, it had been several years since I had been in some of the nicer ones. I was surprised at what a good job they are doing with the mobile homes in many areas.

I was also told that, in many areas, they have worked out agreements with some towns and cities where they could get some contractor to build a foundation where you use it on wheels to move it to its permanent location. At that time I was told that they had difficulty in getting appointments with the Farmers Home Administration incident to see if you would consider financing the type of home made is stationary rather than one that is left on wheels.

I called up and I think they did give them an appointment. They have been very cooperative. I do not know what decisions were made, but it struck me that you in the housing business certainly should be available to confer with them, whatever decision you might make.

What is the story with the mobile homes? I ask for information.

Mr. MERCURE. I personally met with manufacturers of homes. A number of them have actually developed designs which comply with the housing requirements that we have established.

I have met with them whenever they have requested. Our position is that if the housing is built and it satisfies the construction requirements in terms of energy efficiency, we have no major objection to it.

We do have an objection to leaving a mobile home on wheels.

Mr. WHITTEN. I can see some problems connected with it. The thing I could not see is where they could not get an appointment with Farmers Home. But that has been remedied insofar as my State is concerned. I have not tried elsewhere.

Mr. MERCURE. We have approved a number of submitted plans.

HOUSING PROGRAM BACKGROUND

Mr. WHITTEN. I do not mean to belittle housing in the least. Congress passed the original housing act many years before I came here. They had a $500 million fund, as I recall it, for farm housing. When I first got on this Committee, the program never had been implemented. Apparently it was put in there in order to get some farm votes when they passed the original housing bill.

I also went through the period when you could not get an insured mortgage in rural areas or small towns of 4,000 people or less because the banks did not operate on a big enough scale to have a branch there.

This Committee changed the word "farm" to "rural" in an effort to make home loans available in rural areas. But it was never intended that it displace the primary obligation which this agency had of meeting farm needs.

That is what disturbs me when I see that we have folks without an agricultural background. Furthermore, I would not be surprised if you lose your shirts on some of the loans you are making if you do not give more attention than you appear to have.

LOAN MAKING PROCEDURES

How much obligation is there by your local agent to go out and see whether the money is being properly spent? For years they had to have a countersigning of the check on the money that you loaned them. Have you stopped the countersigning by the local agent?

Mr. CAVANAUGH. Many of the checks that are disbursed have got to be countersigned. They come out in joint names with ourselves and the borrower.

I have emphasized the need for strong servicing—read the word "collection." That is how we describe collecting the money.

We have developed a number of procedures to require regular loan collection practices in the States. We have urged the State Directors in all cases to see that the program is balanced between the making of loans on the one hand and the servicing on the other. They have all been advised that they are going to be monitored to see that delinquencies are brought down. In at least one case money has been withheld from a State because of its failure to attack its delinquency problem aggressively.

I can only tell you that I share your strong concern that the money be properly collected and that we have a good strong servicing program.

Mr. WHITTEN. I have been told—and this is hearsay for what it is worth—that one of the reasons why many of the farmers are in bad shape today is that the younger farmers came along in a period when things were going up and they made very expensive crops using new farm equipment. In many instances the land owner charges unusually high rents. All of this lends itself to never being able to repay the loan.

What supervision, or what rules do you have as far as the local agent going out and checking or keeping up with the account and seeing that the money is used properly? Do you have any obligation to do that? Can you give us any set rules that you have in your agency? Rules where they have to make some personal visits and so forth? Can you supply us with that information?

Mr. CAVANAUGH. We shall. They are detailed and we would be glad to supply them.

[The information follows:]

LOAN SERVICING PROCEDURES

We are emphasizing at all levels within FmHA the servicing of loans. We fully recognize that a successful loan program includes a strong servicing and collection effort.

As provided in FmHA Instruction 1924–B and other instructions, our counseling, supervision and servicing efforts start with the processing of applications. Operating plans are prepared, borrower responsibilities are explained and agreements reached on handling loan funds, accounting for security and when and how payments are to be made.

In some cases supervised bank accounts are required to assure that loan funds are used as planned and to teach borrowers money management. Lists of borrowers are available to livestock markets, grain markets and other purchasers and marketing cards for tobacco and peanuts may be marked to show the FmHA lien—all in an effort to assist the borrower and to assure payment on FmHA debts. In addition to these servicing contracts with borrowers, our regulations require county supervisors to periodically visit borrowers on the farm to review their operations and to check the security—at least once the first year of a loan and as needed thereafter. Many borrowers are visited on the farm several times per year.

FmHA ADMINISTRATION

Mr. WHITTEN. We helped you to get a branch of the Farmers Home Administration so you could look after the housing. Have we reached the place where we need to put a section in there to look after the farmer? Have you gone too far in the other direction?

Mr. CAVANAUGH. I think not.

Mr. WHITTEN. Who is going to do Mr. Sprague's work?

Mr. CAVANAUGH. We are in the process now of developing the advertisement for that job.

Mr. WHITTEN. How long have you been in the process, the year that he has been gone?

Mr. CAVANAUGH. Yes, sir.

Mr. WHITTEN. And before you got Mr. Sprague, how long did you go?

Mr. CAVANAUGH. Mr. Sprague was with the management and finance section, at least the position I appointed him——

Mr. WHITTEN. I think it is evident we are just going to have to ask you to look at your first business first. Mr. Burlison?

Mr. BURLISON. Mr. Chairman, I have no further questions.

Mr. WHITTEN. Mr. Hightower?

YEARBOOK OF AGRICULTURE

Mr. HIGHTOWER. Mr. Chairman, I do not have any questions at this time. I am sorry I missed most of the testimony. Did you have an opportunity to ask anything about the agricultural yearbook, Mr. Chairman?

Mr. WHITTEN. I did not hold them responsible, but I did point out that at the top level we do not have any farmers. I mentioned that we have very talented and able and capable people at the secretary's level but none of them have farm background, at least they were not trained for farm lending and so forth. I presume that was the reason that they showed up with this as a Yearbook addressed to children nine to twelve years of age.

Well, I tell you, I think the Secretary is right. Our kidding about it here may help it to be a best-seller. But it misses the boat insofar as the technical advice that the law calls for us to make available to farmers.

Mr. MERCURE. I think that as a document to inform people about how food gets there, it is probably fairly good. There is a lot of ignorance in this country about how food gets to the table.

Mr. WHITTEN. That is right, but there is a law that says that this money shall go to do things that will help the farmer.

Mr. MERCURE. Yes.

Mr. WHITTEN. Thank you very much. We appreciate your appearance here today.

Mr. MERCURE. Thank you, sir.

Mr. WHITTEN. The meeting is adjourned.

FOR RELEASE ONLY BY THE
HOUSE COMMITTEE ON APPROPRIATIONS

FARMERS HOME ADMINISTRATION

Statement of Alex P. Mercure, Assistant Secretary
of Agriculture for Rural Development
before the House
Subcommittee on Appropriations for Agriculture, Rural Development and
Related Agencies

Mr. Chairman, we appreciate this opportunity to present the budget request for the Farmers Home Administration in fiscal year 1981.

I believe we share with you a conviction that this agency does a commendable job in carrying out one of the vital missions in the Department of Agriculture. We appreciate the interest, counsel and resources provided by this Committee over the years. Farmers Home is our strong right arm in fulfilling the Department's role of leadership, as mandated by Congress, in federal support of the many facets of rural development.

During the past three years, this agency has taken an especially significant hand in maintaining essential credit services to American farmers. Last fiscal year, more than half of a record $14 billion total lending by FmHA was allocated to agriculture. Emergency programs helped many thousands through periods of hardship induced by natural disaster or economic dislocation. At the same time, Farmers Home has improved and broadened its regular farm credit programs aimed at helping the young farmer make an entry into farming, and other farmers of modest or very limited means to work their way to stability and success.

Administrator Gordon Cavanaugh will bring you further details of the budget proposed for 1981, as well as a recapitulation of the agency's work of the past year. It was a year unparalleled in the agency's history, both in volume of business, and in administrative effort to master the challenge of mounting workload and widening responsibility.

The integrity of FmHA's traditional supervised credit in agriculrture and housing is being restored as county offices concentrate their attention to these family programs. FmHA district offices are being perfected within the states to specialize in multi-family and community projects, and also to coordinate FmHA programs with development priorities

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established by local, area and state bodies.

This Administration, in fact, is bringing to rural development a sense of order long demanded by the Congress, and to FmHA a more meaningful, less scatter-shot use of its resources to confront rural situations of greatest need.

President Carter has taken a lead in evolving a perceptible, workable system for aligning all the resources of federal programs behind good development objectives identified in the states.

The President has provided such an apparatus under his Small Community and Rural Development Policy announced last December 20. It is a policy to implement Section 603 of the Rural Development Act. After several decades of grappling with the puzzle of how to unify the often disintegrated forces of rural development, we now have a clear channel for action that runs from the local community to the highest command level of federal government -- a system composed of something better than a nebulous maze of advisory committees.

At the top of this new structure is a Working Group of subcabinet level departmental and agency administrators, chaired jointly by the President's Assistant for Intergovernmental Relations and Agriculture's subsecretary for rural development. The duty of this group is to assure that every element of the Executive Branch contributes what it can and should to improve conditions of working and living in rural areas.

May I add very briefly that the essential line of action runs through Federal Regional Councils to state rural development councils that the President has invited each State Governor to establish. The liaison link between these state and federal bodies is a Task Force on rural development established by each Federal Regional Council.

Because Farmers Home has the largest role of any single federal agency in program support for rural development, the White House has specified that the chairman of every Task Force will be an FmHA Area Coordinator whose jurisdiction includes states in the FRC area. And at the local program-delivery level, FmHA field offices in the states will work in closest communication with state and local agencies to unify our priorities wherever possible with those of the communities.

For Farmers Home, the fulfillment of this greater role is much more an opportunity than a burden -- an opportunity to improve administration of resources entrusted to this agency. Priorities identified by the President are fully in harmony with the deepest concerns for which you make provision in this Committee -- emphasis on strengthening the rural economy (and here, the first objective specified is "strengthening small farms"); emphasis also on such basic human needs of rural Americans as housing, health and educational facilities, essential public utilities, transportation, and new sources of energy.

Mr. Chairman, the budget presented to you today is one that maintains the essential mission of the Farmers Home Administration. I can assure you of our firm resolve to administer these programs in such a way as to serve the greatest needs, and correct the deepest deficiencies in rural areas.

I thank you for the opportunity to offer these remarks and will be glad to join with Mr. Cavanaugh in answering any questions you may wish to explore.

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HOUSE COMMITTEE ON APPROPRIATIONS

FARMERS HOME ADMINISTRATION

Statement of Gordon Cavanaugh, Administrator
before the
Subcommittee on Agriculture, Rural Development and
Related Agencies

Mr. Chairman, I am pleased to appear before the Subcommittee to discuss the budget for the Farmers Home Administration for fiscal year 1981.

Our proposal calls for programs in the coming year that will involve $10.7 billion of loan and grant obligations.

In general, this budget will maintain the present level of our ongoing basic programs. It is consistent with the President's policy of budget restraint as a part of the overall effort to curtail inflation, yet it enables us to meet our fundamental responsibilities to farmers, especially young people or others who are struggling on limited resources, and to other rural residents and communities. The budget reflects a redoubled effort to deliver the resources of FmHA to people and communities that have the greatest need.

Before presenting details of our budget requests in the various program areas, I would like to summarize for the Subcommittee our efforts of the past year, both with respect to credit services and our role in broader aspects of rural development that Secretary Mercure has addressed in his remarks.

As you know, Mr. Chairman, in the nation's structure of credit for farming, housing, and community facilities, FmHA is the lender of last resort for rural people and communities that cannot obtain essential credit from other sources. We also exercise a loan guarantee authority to generate more financing of rural business and industry by lending institutions of the private sector.

In farming, young people who represent the future of agriculture in this country come to us for assistance to get started, and we are there for the more mature family farmer who deserves a chance to remain in farming but lacks adequate sources of capital. Farmers and ranchers turn to us for help in riding out natural disasters. And for the past 18 months, we have administered a special Economic Emergency loan program that was enacted to help farmers survive a siege of adversity caused by unbalanced economic conditions.

In fiscal year 1979, Farmers Home experienced another all-time record for one year's volume of business. Program obligations totaled $14.6 billion--twice the level of just two years ago.

More than half (53 percent) of the $14 billion was loaned to farmers. $7.7 billion of farm loans were made in fiscal 1979. That alone surpassed the grand total put forth by FmHA two years ago for all types of programs--farming, housing, community facilities, business and industry ($7.2 billion combined in fiscal 1977). We have ridden the crest of a great resurgence in farm loan activity the past three years, with Disaster Emergency and Economic Emergency loans each attaining a one-year level of $3 billion during this period.

In other programs during fiscal 1979, housing accounted for about $4.3 billion during this period, community programs $1.5 billion, and business-industrial financing $1.1 billion.

Any drop in overall lending this year will be due primarily to expiration or tapering off of Economic Emergency (EE) farm loans and changes in the administration of the emergency disaster loan program.

Since inception of the EE program in August of 1978, it has helped some 60,000 farms survive a period of economic hazard marked by a general scarcity of conventional credit, and an inadequate margin of farm income over operating costs.

ECONOMIC EMERGENCY PROGRAM

The original authorization of the EE program called for it to expire on May 15, 1980, and there is no provision for it in the fiscal 1981 budget as submitted. However, legislation is moving forward in Congress to extend EE lending to September 30, 1981, and raise the ceiling on EE credit out-standing from the original $4 billion limit to a $6 billion limit. We have now reached the $4 billion ceiling, and under circumstances prevailing at this moment, we can do only a nominal amount of further EE lending from loan payments collected between now and May 15.

The impact of EE loans added to our traditional programs has lifted FmHA into a more major role as an agricultural lender, although it is still our mission to supplement credit available from all other sources. Farm debt outstanding in the United States has increased from $90 billion at the start of 1976 to an estimated $157 billion at the start of this

year, and is expected to exceed $182 billion by the first of 1981. This will represent a doubling of farm debt over a period of five years.

Farm lending by FmHA has increased in even greater proportion. Three years ago, our loans accounted for about 5 percent of all outstanding farm real estate debt and 3 percent of all non-real estate debt. Entering this year, our share of real estate debt remained at 5.3 percent, but our share of non-real estate debt had increased to 13.2 percent. The heavy volume of disaster and economic emergency lending is counted in the non-real estate column because those loans may not be used to add land to a farm. In our $15 billion of farm loans outstanding last September 30, emergency programs accounted for $9 billion.

NATURAL DISASTER EMERGENCY LOAN PROGRAM

Last year, in the agency and the department, we became concerned--as did Congress--over the size of some disaster emergency loans. A number of multi-million-dollar farm establishments qualified for multi-million-dollar loans under prevailing terms of the program, which do not establish any statutory limit on the size of a loan. We were concerned whether loans of this magnitude were consistent with the philosophy of the emergency loan program, which is to help farmers who have no other means for surviving natural disasters.

We have adopted what we feel are equitable limits on the size of emergency loans for various purposes authorized under the law, and in conformance with the actions by Congress in moving to make such limits

statutory under pending legislation. We have also taken administrative steps to tighten the process of emergency loans, including a stronger application of the test for credit elsewhere. Provisions for graduation of borrowers as soon as they can find other lenders will also be vigorously enforced.

But it is worth noting that multi-million-dollar emergency loans were the exception, not the rule. There have been about 300 loans of $1 million or more out of 95,000 loans outstanding in the program. Over 99 percent were for less than $500,000, and 57 percent for less than $30,000. The program remains predominantly a service to farmers who are engaged in family-scale agriculture.

RURAL HOUSING PROGRAMS

The rural housing program is a vital service to low-and moderate-income families and elderly people throughout the rural population. For fiscal 1981, we project loans for construction or improvement of about 110,000 single-family dwellings. We will continue to emphasize rental housing as an alternative for rural families who find it difficult to afford single-family housing in today's high-cost market.

The Housing Act of 1979 directs us to distribute FmHA housing credit to rural people of prescribed income levels, with 30 percent to be allocated to families whose incomes are less than half of the median family income in their local areas.

Consistent with these directives from the Congress, we are exercising stronger priorities for reaching lower-income people and smaller communities where we find the greatest proportion of inadequate housing. Rural areas contain about half of the nation's deficient housing, and some 65 percent of that bad housing is in communities of 2,500 or less. We are allocating a larger share of the rural housing budget to serve low-income people in that area of greatest need.

In that connection, we are working on a good cooperative basis with rural builders to concentrate more of their activity in the smaller and more disadvantaged places. We are honoring commitments for completion of projects they have undertaken in larger places, and we have promised the rural building industry a phasing-in period of up to four years for gearing up production in localities that are new to them.

We also confront every day the fact that many lower-income families who live in blighted housing cannot be served by any existing credit program because of present-day costs of paying for, operating, and maintaining more adequate homes. A deep-subsidy Home Ownership Assitance Program (HOAP) as authorized in the Housing Act is the best solution in sight for this problem. It is essential if we are to serve people of the income levels mandated by the 1979 Housing Act.

Our budget for fiscal 1981 proposes a pilot project, about 910 homes, for testing whether HOAP in reality would live up to its promise. We earnestly recommend your approval for seeing the results of such a demonstration. This program would be applied only in places where rental

housing cannot be made available. The adaptation of existing housing, rather than more expensive new housing, will be emphasized. The subsidy recapture plan implemented last year in rural housing also would apply. Although a confirmed result of subsidy recapture is not yet available, a preliminary survey indicates that the rate of return would have been about 73 percent of interest credit on all borrower houses sold this year. We also estimate that 25.5 percent would be recaptured from borrowers receiving the more fully subsidized HOAP assistance.

ENERGY CONSERVATION

Energy--alternatives to the burning of petroleum--is one of the paramount questions in agriculture, housing, and every area served by FmHA. We are making a vigorous effort to help meet this need through the immediate adaptation of FmHA programs and resources. We have opened our farm and business loans to the financing of both on-farm and off-farm facilities to make alcohol fuels or biogas, to install solar heating devices, and other energy-related measures supporting the President's goals for reducing dependence on imported petroleum. Through workshops in various parts of the country, we have taken a lead in disseminating technical information to farmers about the production of fuels from grain and other materials found on the farm. In housing, our technicians have followed up their development of new energy-saving and money-saving home weatherizing standards by compiling a Passive Solar Index that will soon be put into wide use. It offers new guidelines on steps that can be taken in home design, such as reduction of glass areas and extension of

overhangs, to make homes less energy-consuming for purposes of heating and cooling.

RESTRUCTURING OF FmHA PERSONNEL

Mr. Chairman, my final comments relate to the wide range of organizational and managerial improvements we have undertaken in this administration.

Farmers Home as we found it was overloaded with work in terms of its personnel strength. Most overburdened was the county office, where loan-making was centered in virtually all farm, housing and community programs. There had been deep erosion of the agency's distinctive supervision services in farm and housing loans. And there was no consistent effort to bring FmHA resources into harmony with rural development priorities established by state, area, and local development bodies from their point of vantage on the home grounds.

Restructuring of the FmHA field organization has shifted a significant load from county to sub-state district offices. We are far along with this process and the results have pleased our people in the field as well as those of us in administration. We are restoring county office concentration on individual programs in farming and housing. This enables the county office to do a better job of reaching deeply for contact and counseling with families most in need of our supervised credit services. District offices deal with multi-family and community programs, and expand our work relationship with state and local development authorities. We

are still perfecting the buildup of district offices, but the system is working. Program goals are being met.

And may I interpose here a word for those FmHA front-line public servants in the field--supervisors and other staff members in our county offices. They have performed a prodigious work in moving the great volume of farm emergency credit--$6 billion last year--while at the same time maintaining the pace of regular programs, and upholding priorities on service to families of meager resources and most urgent need. In our $1-3/4 billion a year of lending through the regular Farm Ownership and Farm Operating programs, they have fulfilled a goal of directing one-fourth of the funds into low-interest loans to small-farm families of very limited resources.

We are providing the Committee with a report requested by Appropriations conferees last year on restructuring's effect on the movement of community facility programs. Delays in final processing of applications, which citizens may attribute to bureaucratic inertia, are often due to our waiting for new increments of program funds. Backlogs of applications based on high demand for our credit do exist in most of the principal programs.

RURAL DEVELOPMENT ROLE

From national to local levels, FmHA has been given the largest role of any single Federal agency under President Carter's "Small Community and

Rural Development Policy" discussed in this hearing by Assistant Secretary Mercure. FmHA chairs rural development task forces established under all Federal Regional Councils for liaison with state rural development councils created by the Governors. At the local program-delivery level, our district offices are a bulwark of Federal interchange with local agencies.

As we confront the enormous responsibility now borne by Farmers Home, and the broader role mandated to us in the future, we place the highest priority on efforts to improve our management procedures. Even with a slackening in the rate of farm emergency loans, we have a huge long-term task of loan-making and loan-servicing to carry forward. We began this fiscal year with a caseload of more than 1-1/2 million loans outstanding--more than $37 billion worth. More than 500,000 of these loans--$15-1/4 billion--were farm loans. More than 900,000, totaling $17 billion, were housing loans. The balance, totaling $5 billion, were in community projects, business and industry.

ADMINISTRATIVE MANAGEMENT IMPROVEMENTS

Among the steps we have taken to cope more effectively with the management of this hugh portfolio are these:

Implemented in October 1979, a resource management system to replace the work measurement system used in 1976 through 1978. We expect this new system will enable us to measure agency performance against objectives and standards more effectively.

Began a pilot test of bank collection of housing loans, providing an escrow system to incorporate taxes and insurance into housing loan installments and accelerate the deposit of collections into the Treasury. This test is about to be implemented in three states.

FmHA is participating in department-wide studies of ways to improve debt collection and cash management. The President's Management Improvement Council selected the collection of delinquent debts as one of the most pressing government-wide management problems. The report of a USDA task force looking into this problem is scheduled for completion by the end of May 1980. As the Committee knows, delinquency is one of the more complex problems in public-service loan programs to disadvantaged people such as those conducted by FmHA. Our borrowers are people of lower income--people most beset by surges of inflation and misfortune that they can neither anticipate nor control. Inflation is the worst of our enemies.

We have just had a significant cash collection and disbursement study done under contract with a national organization to determine how we can speed delivery of loan checks to the field and field-office cash collections to our finance office. We expect to replace mail delivery with an electronic wire transfer system that will expedite and better control the flow of funds.

Assessment teams for in-depth review and audit of operations in the field on a regular basis have been established by the agency for all program areas. Teams will seek to identify cause and effect of program

weaknesses, fraud, waste or abuse and recommend corrective measures. A recommendation by the Department's Office of Inspector General for establishing agency program-assessment teams was implemented in 1979. With increased personnel approved this fiscal year, we expect to establish a permanent staff to provide an internal program review capability in FmHA.

Annual State Management Plans have been introduced into FmHA operations. These plans articulate how each state FmHA organization will use its resources of personnel and money during the course of the year. Plans take into consideration the objectives of FmHA's program authorities, and rural development priorities and needs as seen by state, area and local planning and development agencies. The end result will be to improve coordination of efforts by FmHA and other federal, state and local agencies to address the priority needs of every rural area, and bring better order and purpose to the administration of FmHA programs.

A major disappointment is the lack of progress in UMIS--the Unified Management Information System. UMIS was undertaken in the hope, which we still sustain, that it would give us an effective vehicle for mastering one of the greatest information and processing challenges in the Federal government--millions of transactions covering 35 to 40 different programs. During the review process of the project by our steering committee last year, serious problems were identified. While, in my view, we were late during the development of this system in recognizing some problems, as we discovered them we immediately took steps to get the project back on schedule. The contractor was removed from the project and our Finance

Office was given the responsibility to review and present recommendations on completing the necessary work with FmHA personnel.

The Department also had concerns about the progress of UMIS. In October, 1979, the firm of Arthur Andersen was requested to review and evaluate the project. As a result of this objective evaluation, we are working in conjunction with the Department's Office of Operations and Finance to review our total UMIS effort. Task forces made up of FmHA and Department personnel have been organized and are now reviewing additional management techniques and methods, the current validity of requirements, and technical design of key computer programs. The results of this review effort will be available within three months. In addition, FmHA has hired a new project manager to provide close supervision and direction for this complex project. He will be working closely with the Department to finish the task force reviews and develop a new schedule for improved management and completion of the project.

Mr. Chairman, I would note that the agency is also providing the Committee a report on "scope, intent and administration" of the business-industrial (B&I) loan guarantee program, under a request originated in the Senate Committee on Appropriations.

Also, I would like to express our appreciation to the Committee for assistance you have given us this year by way of funding for increased personnel. The 469 positions made possible by your action have been approved by the Secretary and the Office of Management and Budget, and they are being added to our work force.

I thank you for the opportunity to give this general review of our operations and objectives, and will be glad to answer any questions on subjects I have raised in these remarks.

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Here now are the specific requests by program in the proposed budget for 1981.

FARMER PROGRAMS

The 1981 Budget continues the strong FmHA financial and credit assistance needed to augment resources available from private sources to rural communities and the farm sector. Together with the private market, the budget estimate amounts will provide the needed credit levels to support the health and strength of the rural sector. As I am sure you are aware, rising interest rates over the last few years have accentuated the dominance which the urban and industrial centers exercise over the credit market. Our budget is designed to strengthen the credit available in the rural sector not only by providing relatively modest levels of direct loans, but by leveraging larger levels of credit from the private sector through participation in well-planned, economically viable and desparately needed projects.

Agricultural Credit Insurance Fund

Farmer programs are funded through the Agricultural Credit Insurance Fund. The 1981 Budget requests loan authorizations of $3.8 billion.

Farm Operating Loans

The farm operating loan level is estimated at $875 million for 1980 and 1981. This will provide $850 million for insured loans and $25 million for guaranteed loans. These loans form the basic farm operating credit program of the Agency. Farm operating loans are used for annual

operating expenses. Other uses include purchase of livestock, farm supplies and equipment, refinancing indebtedness and miscellaneous expenses such as complying with certain safety standards.

The 1981 budget request continues the strong program package which has increased by over 60 percent in the last four years. In 1981 we will continue our efforts to use at least 25 percent of the loan funds for low income, limited resource farmers and young farmers just starting out. This will enable us to extend a reasonable level of credit to the smallest family farms as well as those farming operations owned by minorities and women, who have been unable to obtain sufficient credit in the past.

The interest rate for insured loans to limited resource borrowers is currently 6 percent. Other insured loan borrowers are charged interest at a rate not more than the cost of money, currently about 10.5 percent. The interest rate for guaranteed loans is negotiated by the lender and the borrower. These guaranteed loans are aimed at facilitating the involvement of the private sector.

Farm Real Estate Loans

Farm real estate loans are budgeted at $950 million for 1981, the same level available for 1980. In each year, $870 million is for farm ownership loans, of which $820 million is intended for insured loans and $50 million for guaranteed loans. The borrower is charged not more than the cost of money interest rate for insured loans, except for low-income, limited resource borrowers who may be charged interest at a rate of not more than 6 percent. The interest rate on guaranteed loans is negotiated

between the borrower and lender. As with farm operating loans, 25 percent of the insured loan level is planned for low-income limited resource borrowers.

In 1981, the Budget proposes $53.1 million for individual soil and water conservation purposes, $11.9 million for Indian tribe land acquisition, $7.4 million for irrigation and drainage loans to associations, $4.8 million for grazing loans to associations and $2.4 million for recreation loans to individuals.

Emergency Disaster Loans

Subtitle C of the Consolidated Farm and Rural Development Act, as amended by Public Law 94-68, contains authorizations for emergency disaster loans. A program level of $2.5 billion is reflected in the Budget for 1980 and $2 billion for 1981. However, the appropriation language for this program provides for amounts necessary to meet needs resulting from natural disasters. In 1978, an all-time high of $3.4 billion was obligated for this program, and $2.9 billion was obligated in 1979.

In 1980, the Agency is undertaking several changes to improve the administration of this program and is supporting important changes in the authorization legislation which will clarify the intent and purpose of the program. The tests for the availability of credit from the private sector as well as the review for graduation will be strengthened and the availability of follow-up loans will be changed. In addition, we are supporting limits on the total amounts of the loans available in the program.

Replenishment of Agricultural Credit Insurance Fund

An appropriation of $297,032,000 is requested to reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses incurred in fiscal year 1979. The principal element of this reimbursement is the amount by which the interest paid to investors and the Federal Financing Bank exceeded interest due from borrowers. Many of the loans made from this Fund had interest rates in effect since 1954, which were considerably below the cost of money. Most loans made from this Fund are now subject to the cost of money interest rate, although low-income, limited resource borrowers may be offered loans at a reduced interest rate.

COMMUNITY PROGRAMS

Community programs provide residents in rural communities with basic amenities, alleviate health hazards, improve the quality of rural living, and contribute to their orderly economic and social development. Loans for these purposes are funded through the Rural Development Insurance Fund.

Rural Development Insurance Fund

The 1981 Budget request for loan authorizations under the Rural Development Insurance Fund is $1.9 billion.

Water and Waste Disposal Loans

For water and waste disposal system loans, we are requesting $700 million, the same amount available in 1980. In order to serve more families, priority consideration will be given to those projects which will enlarge, extend or otherwise modify existing facilities to provide service to additional rural residents. Since funds are targeted to low income communities, the amount of loan funds requested is expected to adequately complement grant funding available from FmHA and other agencies.

Community Facility Loans

Loans are currently made to public bodies and nonprofit corporations in rural communities and places of not more than 10,000 population. These loans finance projects involving fire, rescue, and public safety; health and medical care facilities; public buildings; and cultural and educational facilities. We are requesting $240 million for community facility loans, since loans for cable television facilities are now made directly by the Rural Electrification Administration.

Business and Industry Loans

To expand employment opportunities and save jobs in rural areas, loans, mostly guaranteed, are made to all types of businesses and industries. These loans strengthen existing private sources of capital which finance acquisition, construction, conversion, enlargement, repair, modernization, or pollution abatement.

Our 1981 Budget request for business and industrial loans is $936 million. The decrease of $140 million below 1980 reflects the Administration's view that the high interest rates now prevailing and the general market situation will produce either a static or a decreasing demand for Federal assistance to expand business and industrial enterprises. Our Budget request includes $10 million for insured loans to provide the flexibility to help those entities which cannot obtain guaranteed loan assistance. We anticipate that the availability of insured loans in this program will enable us to make credit available for special projects such as rural energy development and to increase credit available to minority and women owned enterprises.

Replenishment of Rural Development Insurance Fund

An appropriation of $143,282,000 is requested to reimburse the fund for interest subsidies and losses incurred in fiscal year 1979.

Other Community Programs

We are requesting $284 million for water and waste disposal system grants to complement our loan program for these systems. Also, we are requesting $10 million for business and industrial development grants, the same level approved for the current fiscal year, and $5 million for planning grants for fiscal year 1981, a decrease of $2 million from the level available in 1980. In addition to these requested levels, we plan to make every effort, through close cooperation with other government bodies, to more adequately provide for the development of rural America.

Other community loan programs related to conservation are funded through the Agricultural Credit Insurance Fund. For these programs, we are requesting $24 million, $6 million below the 1980 level. Our request includes $20 million for watershed works of improvement and flood prevention loans, and $20 million for resource conservation and development loans. Approval of the levels requested will provide ample funding for all projects ready for construction.

HOUSING PROGRAMS

Our rural housing programs are financed mainly by the Rural Housing Insurance Fund. We have budgeted $4.5 billion for programs financed by this Fund, a decrease of $405 million from the level of assistance made available in fiscal year 1980, but an increase of about $270 million over fiscal year 1979.

In fiscal year 1981, the Farmers Home Administration plans to continue its targeted housing stragegy giving high priority to providing housing assistance to families with the greatest need.

This proposed Budget continues our policy of maximizing housing assistance to families with the lowest incomes. To this end, the Section 502 program levels have been slightly realigned. We will continue to emphasize the purchase of existing housing and the rehabilitation and repair of existing units when such housing is available and reasonably priced. FmHA has found that reasonably priced existing units can, in many instances, allow the Agency to reach a lower income level borrower than could be assisted otherwise.

Home Ownership Assistance Program

We are again proposing the implementation of the Home Ownership Assistance Program (HOAP). This program would provide much needed housing for very-low income rural residents in areas where subsidized rental housing is not a viable alternative.

For 1981, this program is being proposed at a pilot program level. Budget Authority sufficient for the obligation of deep subsidies for 910 units has been requested. The need for a deep subsidy program to augment FmHA's interest credit program has become greater and greater every year as the costs of home ownership escalate at rates that render greater and greater numbers of rural residents ineligible for decent housing under FmHA's current programs. FmHA's proposed FY 1981 pilot program will be closely monitored to assure its effectiveness and its ability to provide decent housing at a cost to the Government that is comparable to other public assistance housing programs. The actual net cost for the program will probably prove to be much less than the budget authority levels that have been requested. These levels have been proposed to reflect the maximum subsidy liability that could ever occur. This maximum cost, in all likelihood, would never be realized because the agreements will probably not be held for their maximum term of 33 years and all subsidies paid by the Government will be subject to recapture when the property is sold.

Housing Loan Programs

The request for loan authorizations for Section 504 home repair loans for fiscal year 1981 is $50 million, $26 million above the 1980

authorization. Loans are made to finance essential improvements to the dwellings of very low-income families to make them safe and sanitary and to remove health hazards.

The 1980 Appropriation Act provided $4 billion for insured housing loans, and an additional $500 million for guaranteed loans. The 1981 insured loan authorization request is for $3.7 billion, of which not less than $3.1 billion shall be available for subsidized interest loans to low-income borrowers. The total loan level request is a decrease of $505 million from the level authorized for use in fiscal year 1980. Most of this decrease is made up of a net $613 million reduction in non-interest credit and guaranteed housing loans. At the same time, subsidized housing loans to low-income rural residents have been increased by $80 million. This results from targeting the Section 502 program to families most in need of adequate housing.

The Farmers Home Administration has proposed a program level for guaranteed above-moderate income Section 502 housing loans in the 1981 Budget of $275 million, a reduction of $225 million below the level authorized for 1980. This program was initiated in 1979 and has not come up to expected levels thus far.

Rural Rental Assistance

The 1981 Budget provides for an additional 17,230 units in our rural rental assistance program. The total cost of the 17,230 unit program level for rental assistance is estimated to be $393,000,000 over the terms of the assistance agreements.

Replenishment of the Rural Housing Insurance Fund

An appropriation of $504,318,000 is requested to reimburse the Rural Housing Insurance Fund for interest subsidies and losses incurred in fiscal year 1979. The principal element of this reimbursement is the amount by which the interest paid to investors and the Federal Financing Bank exceeded interest due from housing borrowers.

Other Rural Housing Programs

In keeping with our housing strategy which targets assistance to those in the greatest need, the Budget includes a request of $25 million for rural housing for domestic farm labor grants. These grants are used to reduce rental rates to a level that low-income farmworkers can afford. The proposed level is the same level as is available in 1980.

We have also included a $25 million request for very low-income housing repair grants, an increase of $1 million over 1980. This program allows us to assist the very low-income family unable to repay a one percent loan, to make repairs necessary to correct safety and health hazards.

The 1981 Budget also includes $5 million for self-help housing site loans and $2 million for supervisory and technical assistance grants. The self-help housing site loan program was established to provide financing for the acquisition and development of building sites for homes to be built by the self-help method.

We are not requesting new funds for the mutual self-help technical assistance grants since we have sufficient funds to administer about a

$15 million program level in both 1980 and 1981. Supervisory and technical assistance grants provide funding for community based nonprofit organizations primarily for counseling of rural housing program borrowers and programs of technical and supervisory assistance to help needy rural individuals and families take advantage of programs best suited to meet their housing needs.

SALARIES AND EXPENSES

The appropriation request for salaries and expenses is $246,677,000. This is $7,187,000 above the adjusted appropriation for 1980. The 1981 request includes $4,741,000 for increased operating costs to sustain performance levels of continuing programs including servicing an ever increasing loan portfolio.

An increase of $2,446,000 is also requested for the portion of pay increases absorbed in 1980 but required in 1981 to carry out the programs.

Mr. Chairman, this concludes my prepared testimony. I have a brief history of FmHA complete with charts and statistics which may be helpful to insert in the record. I appreciate the opportunity to discuss the performance of FmHA in meeting the needs of farmers and other rural Americans. Thank you very much.

Statistics on FmHA Performance

Cumulative, all loans and grants obligated through September 30, 1979:

8.4 Million loans/grants made
73.1 Billion obligated in loans/grants

Farm Operating loans	-	2,217,442	loans -	$ 9.5 billion	
Farm Emergency loans	-	939,439	loans -	11.0 billion	
Farm Ownership loans	-	342,253	loans -	7.0 billion	
All Farm Loans Total	-	6,894,662	loans -	33.7 billion	*
502-504 Housing loans	-	1,432,023	loans/grants	22.6 billion	
Rental Housing loans	-	11,132	loans -	3.3 billion	
All Housing Loans & Grants Total	-	1,467,631		26.9 billion	*
B & I Loans	-	5,006	loans -	3.6 billion	****
Water/Waste loans & grants	-	29,595		7.4 billion	

Losses as percent of advances for Insured and Direct Programs:

Farm Operating loans	-	1.4
Farm Emergency loans:		
Total	-	1.2
Current Program	-	.3
Farm Ownership loans	-	.13
502-504 Housing loans	-	.15
Rental Housing loans	-	***
Business & Industrial Loans (Insured)	-	0
Total, all active programs	-	.7

Cumulative borrowers and dollars outstanding, September 30, 1979: a/

Program	Active Borrowers	Billion Dollars
Farm Operating	79,650	$ 1.6
Farm Emergency	94,518	6.4
Farm Ownership	114,506	4.1
502-504 Housing	899,559	15.7
Rental Housing	6,077	2.1
Water/Waste (only)	9,701	3.5
Total All Programs **	1,261,253	37.3

a/ Excludes Guaranteed Loans.

* Includes minor programs not shown, so columns do not add.
** Includes other programs not shown above and excludes all Guaranteed Loans.
*** Less than 0.05 percent.
**** Obligations reflect the face amount of the loans.

MIS Division
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STATISTICS ON FmHA PERFORMANCE
BY FISCAL YEAR
(Dollars in Billions)

I Cumulative Obligations:

	1977		1978		1979	
	Number	Amount	Number	Amount	Number	Amount
Cumulative Loans/Grants ..	7,825,418	$47.3	8,109,134	$58.3	8,404,289	$73.1
Farm Operating	2,130,086	7.8	2,179,500	8.6	2,217,442	9.5
Emergency	787,407	4.7	876,526	8.1	939,439	11.0
Farm Ownership	317,670	5.7	329,685	6.2	342,253	7.0
* Total Farm	6,573,581	20.9	6,729,532	25.8	6,894,662	33.7
Rural Housing 502/504	1,197,435	17.0	1,318,426	19.7	1,432,023	22.6
Rural Rental Housing	8,021	1.8	9,487	2.4	11,132	3.3
* Total Housing	1,218,981	18.8	1,341,562	22.2	1,467,631	26.9
Water and Waste Loans and Grants	23,561	5.1	26,727	6.2	29,595	7.4
*** Busines & Industrial Loans.....	2,184	1.3	3,397	2.3	5,006	3.6

II Write-offs as Percent of Advances (Insured and Direct Programs):

	1977	1978	1979
	Sept. 30th	Sept. 30th	Sept. 30th
Farm Operating	1.5%	1.5%	1.4%
Farm Emergency:			
Total	2.6%	1.6%	1.2%
Current Program	.7%	.4%	.3%
Farm Ownership	.16%	.14%	.13%
Rural Housing 502/504	.16%	.15%	.15%
Rural Rental Housing	**	**	**
Business & Industrial Loans (Insured)	0	0	0
* All Programs	1.0%	.9%	.7%

III Active Borrowers and Amount Outstanding as of End of Fiscal Year: a/

	1977		1978		1979	
	Active Borrowers	Amount (Bil.)	Active Borrowers	Amount (Bil.)	Active Borrowers	Amount (Bil.)
Farm Operating	78,951	$1.2	81,527	$1.4	79,650	$1.6
Farm Emergency	48,181	1.7	84,369	4.5	94,518	6.4
Farm Ownership	109,560	3.2	111,738	3.6	114,506	4.1
Rural Housing 502/504	796,722	12.2	833,733	13.9	899,559	15.7
Rental Housing	4,276	1.0	5,006	1.4	6,077	2.1
Water and Waste	7,770	2.5	8,898	2.9	9,701	3.5
* All Programs	980,011	22.5	1,167,629	28.7	1,261,253	37.3

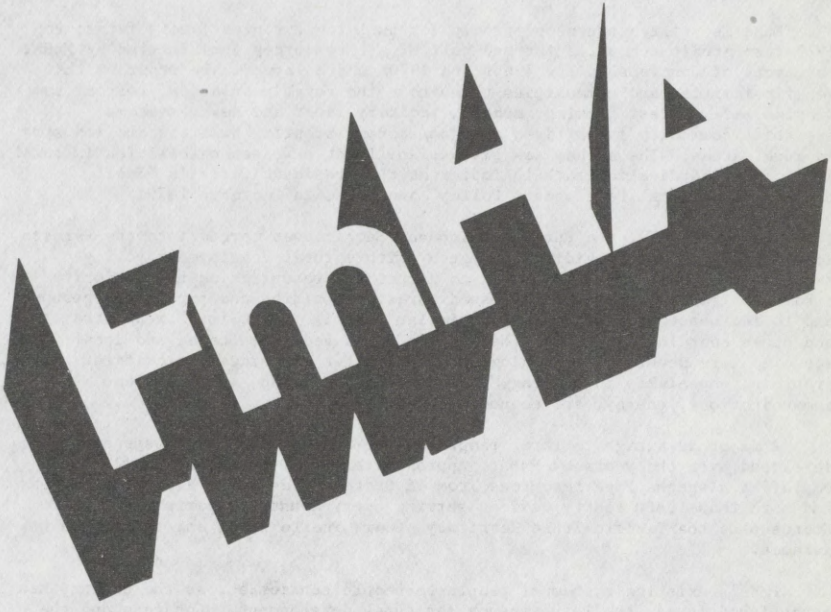
a/ Excludes Guaranteed Loans.

* Includes small programs not listed, so columns do not add.
** Less than 0.05 percent.
*** Obligations reflect the face amount of the loans.

SOURCE: RC 205, 616, 705 & 752

MIS Division
12/31/79

A Brief History of Farmers Home Administration



January 1980

BRIEF HISTORY OF FARMERS HOME ADMINISTRATION

Farmers Home Administration (FmHA) is the credit agency for agriculture and rural development in the United States Department of agriculture. Its history of financial and technical assistance in rural America goes back 44 years. FmHA continues the mission of its predecessors in rural assistance, the Resettlement Administration and the Farm Security Administration; but the original scope has changed.

Today, the Agency serves an enormously broader purpose than the 1930s singular effort to make loans to depression-stricken farm families. As recently as 1960, FmHA was primarily concerned with its supervised credit program for low income farmers with loan volume of $300 million a year.

FmHA is still a source of credit for building stronger family farms; in 1979 farm credit accounted for one-half of all resources administered by FmHA. But, acts of Congress in the 1960s and 1970s added large scale programs that benefit families and communities throughout the rural population, helping to provide safe, modest housing; modern, sanitary water and sewer systems; essential community facilities; and job/economy boosting business and industry in rural areas. The agency was given significant new responsibilities in rural development coodination to help implement the President Carter's "Small Community and Rural Development Policy" announced in December 1979.

In August 1977, the Rural Development Service was merged into the Farmers Home Administration providing the Agency with a rural development policy management capability. FmHA began to direct its resources on high priority rural problems in the most distressed rural communities and population groups, and to influence others to adopt a similar focus. Joint investment strategies and other coordinated programs between FmHA and Federal, State, and local agencies were developed combining funds and other resources for critical rural prôblems, especially in housing, health, transportation, water systems, communications, energy, and economic development.

A major advantage to rural people is the localized delivery system developed over the years by FmHA. Approximately 8,000 permanent full-time employees disperse FmHA resources from 46 State offices, 302 district offices and more than 1,800 county offices serving every county or parish in the 50 States plus the Pacific Trust Territory, Guam, Puerto Rico, and the Virgin Islands.

FmHA's existing system of people-to-people contact across the country has established it as the "lead" agency for rural development. Congress and the Administration continually recognize FmHA's long experience in serving rural communities and farm families and have over the years expanded old and created new services. As a result, FmHA's annual volume in fiscal year 1979 soared above $14 billion — 10 times greater than a decade ago.

FmHA loans and grants supplement the amount of credit and capital directly available from commercial lenders in rural areas. In most programs, the agency makes loans to qualified applicants who can find no other sources of financing available on terms or conditions they can meet.

The money loaned by FmHA comes from collections on previous loans, or from private investors through sale of Government securities. In guaranteed loan

making, funds are supplied directly to borrowers by commercial lenders with FmHA minimizing the lender's risk.

Grants for rural water and waste disposal systems, industrial site development, farm labor housing, home repair for low income elderly, "self-help" homebuilding by low income families, planning for energy-impacted areas and economic development supplement the agency's rural lending program.

RESETTLEMENT ADMINISTRATION

The lineage of FmHA goes back to the Resettlement Administration which was established as an independent agency in 1935 and formally assigned to the Department of Agriculture in January 1937.

The programs of the Resettlement Administration offered a number of approaches to solving the problems of poor people and poor land. The most popular was the supervised loan program. Supervised loans were part of a government-wide effort to help needy, rural people re-establish themselves on a self-supporting basis.

During its 2-year operation, the Resettlement Administration made more than 300,000 short-term loans, often supplemented by grants to low-income families. Each loan was based on a farm- and home-management plan worked out by county, farm, and home supervisors in cooperation with the borrowing family. The plans were designed to ensure the use of good farming practices and to fit the needs of the families taking part in the program.

By 1937, there was a growing conviction in USDA and in Congress that supervised credit as pioneered by the Resettlement Administration was the answer to a worsening national problem of hardship and failures among tenant farmers. On July 22, 1937, the Bankhead-Jones Farm Tenant Act was passed.

The Resettlement Administration was given the responsibility of the new program of supervised farm ownership loans with 40-year terms for farmers who lacked other sources of credit for buying their own land and for farm and home improvement.

Also enacted in 1937 was the Water Facilities Act to provide loans for individual and association farm water systems in 17 western States where drought and water shortage were familiar hardships. The Resettlement Administration shared servicing responsiblities of the program with the Soil Conservation Service and Bureau of Agricultural Economics. This Act was the forerunner of the rural water programs now administered by FmHA.

FARM SECURITY ADMINISTRATION

As administrative actions were taken to carry out the Farm Tenant Act, on September 1, 1937, the Resettlement Administration was renamed the Farm Security Administration (FSA).

For the ensuing 9 years, FSA carried on supervised credit programs with farm and home counseling by county office staff. The success of a large

percentage of these borrowers helped strengthen family farm agriculture and helped the Nation meets its awesome food-producing challenges in World War II. By 1941 the FSA had made more than 13,000 loans to tenant families for the purchase of farms. FSA also continued the Resettlement projects to establish new farms and communities, services in group medical care, agricultural cooperatives, migratory labor camps, and other social and economic programs.

In 1942, FSA was given full responsibility for the water facilities program in the 17 western States.

FARMERS HOME ADMINISTRATION

By 1946, it was generally conceded both in and out of Congress and within the Agency itself that a restructuring of FSA was necessary; that some old Resettlement programs were no longer justified, others could be improved, and new programs would be needed in the postwar period.

Accordingly, in August 1946, Congress passed the Farmers Home Administration Act. This measure, which took effect in 1947, reconstituted FSA under the new name Farmers Home Administration.

> Until 1974, Farmers Home Administration was commonly referred to as "FHA", and often confused with other agencies with the same initials, including the Federal Housing Administration and Federal Highway Administration In April 1974, USDA formally adopted "FmHA" as the Agency's distinguishing acronym.

Combined in the new FmHA were some programs of FSA and the Emergency Crop and Feed Loan program. The latter, a service in short-term feed-seed-fertilizer loans to farmers in designated hardship areas, had been originated through USDA in 1918, and carried on during 1933-46 through Production Credit Associations of the Farm Credit Administration's agricultural credit system.

The Farmers Home Administration Act also gave FmHA new authority to insure loans made by banks, other agencies and private individuals, as well as to make direct Government loans. The Act brought an end to Rural Rehabilitation loans, of which over 3 million had been made since 1935 by the Resettlement and Farm Security Administrations. They totaled over $1 billion.

In its first 3 years, FmHA confined its operations to development of supervised farm ownership and farm operating loan programs, and to water facilities projects in the 17 western States.

EXPANSION OF FmHA SERVICES

1949 brought the first of many additions to FmHA's portfolio of services, all made available to rural people through the well-established system of FmHA county offices. These are highlights of the Congressional acts (1949 through 1979) that have molded FmHA's wide variety of services.

The Federal Housing Act of 1949 gave FmHA authority to make housing loans to farmers as a part of the national housing program. The Disaster Loan Act of 1949 originated the special emergency farm loan for recovery from losses inflicted by natural disaster.

The Water Facilities Act was amended in 1954 to apply nationwide, rather than limited to the 17 western States, and to let farm area water systems take on nonfarm customers in rural communities.

Rural development was given Federal program status by USDA administrative action in 1955. FmHA's first involvement was a pilot program of loans to small farms that could not qualify for regular FmHA loans.

In 1959, FmHA began to make loans to local organizations covering the local share of cost in small watershed projects under Public Law 566.

Major overhauling and expansion of FmHA authorities came with passage of the Consolidated Farmers Home Administration Act of 1961. Its principal provisions:

* raised limits on farmer loans to $60,000 for farm ownership, replacing a formula whereby each county's limit had been the average value of its family farms; and from $20,000 to $35,000 for farm operating purposes.

* opened up the water system program to general rural population, including incorporated towns of up to 2,500. The loan limit on a project (previously $250,000) was raised to $500,000 for a direct FmHA loan, $1 million for an insured loan.

Also in 1961, the Federal Housing Act was amended to make nonfarm rural residents eligible for FmHA's direct housing loans. This new jurisdiction in rural housing extended to towns of up to 2,500 population.

Still more expansion of FmHA services came in 1962. The Senior Citizens Housing Act set up loans for low-rent apartment projects designed to meet the needs of people age 62 and over. This type housing was acutely lacking in rural communities.

Amendments to the Farmers Home Administration Act authorized loans for shift in land use to outdoor recreational facilities built primarily to benefit rural people. The agency began to make loans to family farmers to set up

farm based recreation and other nonagricultural enterprises that would add to family income, and for association grazing ranges where family farmers and ranchers share the use of more grazing land for livestock production.

A pilot program for rural renewal, delegated to FmHA, launched experiments in several States to develop better community facilities, improve homesites and better housing, and to attract new industry to underdeveloped rural areas. Rural renewal was discontinued as an experimental program in 1969.

FmHA also was authorized in 1962 to make loans covering local project costs in areas designated for benefits of a resource, conservation, and development program which, like the small watershed program, is supervised by USDA's Soil Conservation Service.

The Economic Opportunity Act of 1964 established loans to low-income rural people for small farm improvements or nonfarm enterprises that would add to family income. FmHA performed the lending through its county offices with funds provided by the Office of Economic Opportunity until 1971. The Agency made nearly 65,000 loans totaling $109.3 million to individuals and 1,476 loans totaling $21 million to cooperatives.

EXPANSION OF PROGRAMS TO PRESENT LEVELS

The expansion of old programs and enactment of new ones during the first 4 years of the 1960s raised FmHA's total loan and grant volume from the $300 million level of fiscal year 1960 to $750 million in fiscal year 1965. But this was only the beginning of the upsurge in FmHA services brought on by the large scale rural housing and rural development programs.

Rural housing was changed from a program of direct loans to one primarily of insured loans, and population limit on towns served through FmHA was raised from 2,500 to 5,500. This opened the way for the annual volume of FmHA rural housing credit to rise from the $133 million level of 1965 to the multi-billion dollar level of present times.

In 1966, eligibility was equalized for senior citizens and younger low-income families seeking FmHA rural housing loans or tenancy in rural rental housing.

In 1968, another overhauling of the Housing Act of 1949 established the interest-supplement housing loan program. It enabled some low-income families to pay as little as 1 percent interest, and provided for subsidized loans to developers of low-priced rental housing for low-income families and senior citizens. New programs also were enacted in 1968 for rural homesite development loans and for grants toward support of "self-help" homebuilding group projects.

Grants of up to 90 percent, as well as loans, were authorized for farm labor housing projects.

The Housing Act of 1970 raised the population limit to 10,000 for a rural community where FmHA housing loans may be made.

In 1965 the water facilities loan program was transformed into a loan-and-grant program for both water and waste disposal systems. Rural towns of up to 5,500 were made eligible to be included in FmHA-financed projects, and the limit on FmHA financing of a project was raised to $4 million.

Congress in 1968 abolished a statutory annual ceiling of $450 million on FmHA insured loan authority for farm ownership and community facilities combined, and raised the national total authorization for water-waste disposal grants from $50 million to $100 million a year. In 1970, legislation was passed to remove technical barriers to the use of investor's FmHA insured funds, rather than direct appropriated funds, for loans to tax-exempt public bodies such as municipalities and public service districts. That year marked the beginning of a period of rapid growth and increased service to small towns.

In farm credit programs, the agency took action in 1970 to increase its cooperation with other lenders in jointly serving farm borrowers, with FmHA taking a second lien when the same security is mortgaged both for the FmHA and other lender's loans. In 1971, the limit on a farm ownership loan secured by a mortgage on real estate was raised from $60,000 to $100,000.

The Rural Development Act of 1972 enacted August 20, 1972, gave USDA primary responsibility for Federal activities in support of rural development and established an Assistant Secretary for Rural Development to coordinate this effort through the programs and expertise of FmHA, Rural Electrification Administration (REA), and the Rural Development Service (RDS) which was merged with FmHA in 1977.

In its other principal provisions affecting FmHA, the act --

* Authorized FmHA to guarantee loans made by commercial lenders for farming, for housing, and for rural business and industry including enterprises in cities of up to 50,000 population.

* Abolished the $4 million per project limit on FmHA financing of water and waste disposal systems, increased the national grant authorization for water and waste disposal to $300 million a year, and raised the population limit on towns included in FmHA-financed systems to 10,000.

* Authorized FmHA loans for other kinds of essential community facilities such as fire departments, community halls, hospitals, nursing homes, and public recreation facilities.

* Authorized FmHA grants to improve rural industrial sites.

* Authorized FmHA to make investor-funded insured loans for farm operating purposes, and raised the limit on a farm operating loan from $35,000 to $50,000.

* Authorized youth loans to rural young people under age 21 for farm or nonfarm income-producing enterprises supervised through schools or organizations, such as in 4-H Club and Future Farmers of America programs.

* Set $225,000 as the maximum permissible debt against farm property on which FmHA and a cooperating lender may simultaneously hold liens. This enabled FmHA to participate in larger loans up to its limit of $100,000 to family farmers and ranchers.

The emergency loan program to help farmers recover from natural disaster underwent an immense but short-lived expansion in 1972. An act of Congress, stimulated by the Hurrican Agnes disaster in northeastern State, liberalized emergency loan terms nationwide and decreed nonrepayment of the first $5,000 to cover actual loss. After the cost mounted to about $550 million within a few months, the program was suspended, and Congress in 1973 returned emergency loans to a fully repayable basis. Legislation in 1975 established separated categories of disaster emergency loans to cover losses and to finance resumption of farm production operations.

A special Emergency Livestock Credit Act for FmHA guarantee of commercial lenders' loans to livestock and poultry producers in financial distress was enacted July 25, 1974. The program expired September 30, 1979. Under terms of the program, FmHA guaranteed a maximum $350,000 of commercial credit for an eligible borrower. Loan guarantees totaling $1.5 billion of principal outstanding were authorized. About $1 billion of this credit was used by farmers and lenders.

Under amendment of the National Housing Act passed in 1974, FmHA in 1976 introduced its housing loans into towns of 10,000 to 20,000 pupulation that are outside Standard Metropolitan Statistical Areas (SMSA's) and certified by the Secretaries of Agriculture and Housing & Urban Development (HUD) to be lacking in mortgage money from other sources. Later in 1976, Congress revised the criteria for serving the larger non-SMSA communities by specifying that consideration be based on shortage of mortgage loan funds for families of low and moderate income. Housing Act amendments of 1974 also authorized extension of FmHA housing loan services to U.S. island territories, including trust territories in the Pacific (service was initiated on Guam in 1976 and other islands in 1977), and eventual lending on mobile homes and condominium housing (not implemented as of 1980).

The guarantee of commercial lenders' housing loans to families of moderate income was implemented in January 1977 under authorities provided in the Housing and Rural Development acts. However, under the Housing Act amendment of 1977, guarantee of housing loans was limited to the service of above-moderate-income families. In 1977, FmHA also implemented grants to very-low-income senior citizens for repair of badly deficient houses, and an authority under housing legislation of 1974 to provide rental assistance supplementing rent paid by low-income tenants of FmHA-financed rental housing.

The Agricultural Credit Act enacted August 4, 1978, susbstantially changed the farm programs of FmHA and added a new program of economic emergency loans. The new program authorized FmHA to make or guarantee loans of up to $400,000 to farmers or ranchers who are hard pressed by shortages of credit from regular sources, or by a cost-price squeeze. The agency was authorized to carry a maximum of $4 billion in economic emergency loans at any one time. These loans may be used to refinance certain outstanding debts, reorganize the farming operation, and pay other operating expenses. Funds cannot be used to expand farming operations. Repayment terms and interest rates are negotiated between the borrower and the lender for guaranteed loans. For loans made by FmHA, the repayment period will vary according to the purposes of the loan--up to 40 years on real estate loans and up to seven years for operating loans, with renewals up to seven years. The interest rate on these loans is set at the cost of borrowing to the Government. The 1978 act set May 15, 1980, as a date of expiration for the program.

This act also made changes in existing programs --

* Expanded eligibility for farm loans to family corporations, cooperatives, and partnerships as well as individuals.

* Increased loan limits to $200,000 for insured and $300,000 for guaranteed farm real estate loans, and to $100,000 for insured and $200,000 for guaranteed farm operating loans.

* The interest rate for farm ownership loans was changed to be based on cost of borrowing to the Government. Special interest rates on ownership and operating loans are available for limited-resource farmers.

* The interest rate for actual losses under disaster emergency loans also was set at 5 percent.

* The maximum allowable grant for water and waste disposal projects was increased from 50 percent to 75 percent.

* The Department of Labor no longer is required to clear B&I loans less than $1 million and when employment is less than 50 people.

AN UNDUPLICATED RURAL RESOURCE

Programs developed through FmHA under these authorities continue to operate as a supplement to credit made available by private lenders, not in competition with them; as a helping hand to the capable and industrious family or community whose progress is blocked by lack of credit resources.

A family in need of farm financing, or a loan for an adequate home, may be of modest circumstances and lack credentials for conventional credit. A rural locality may be without a local lending institution, or financial needs of the area may exceed the capacity of institutions that are there, or a rural community may not be able to qualify for financing through the conventional bond market.

In circumstances such as these, resources brought within reach through FmHA help to make up for shortfalls in local and private resources. As it lends money raised throughout the Nation from investors in Government securities or guarantees loans made by city banks and other commercial lenders, FmHA relays into the rural United States a flow of outside capital needed for farm, home, community and rural economic development.

Historically, the availability of credit through FmHA when none other was to be found has enabled hundreds of thousands of farm families to win their foothold on the land, rather than abandon farming. More than 1.3 million ill-housed rural families have moved into adequate homes. Some 15,000 rural localities and farmland sections have solved their water and sanitation problems through modernized central water and sewer systems. These are benchmarks of rural progress toward which programs delivered through FmHA have made significant contributions.

The "supervised loan" principal adopted by the agency in its earliest years still is maintained and necessary to help borrowers achieve the purposes of their loans and to pay back what they have borrowed. Loan losses written off during the 44 years of the agency amount to less than 2 percent of principal advanced.

SOURCES OF INSURED LOAN FUNDS

FmHA loans classified as "insured" are made from three loan revolving funds. Oldest is the Agricultural Credit Insurance Fund (ACIF) established when FmHA began to make insured loans in the 1940's, and now the fund from which all farmer-program loans are made. The Rural Housing Insurance Fund (RHIF) was established with inauguration of insured rural housing loans in 1965. The Rural Development Insurance Fund (RDIF), established under the Rural Development Act of 1972, took over from ACIF the agency's lending for water, sewer and other community facilities, business and industrial development.

The revolving funds are nourished by the incoming flow of loan repayments, plus the sale of FmHA investment securities.

Prior to 1974, investors received actual notes or other security instruments FmHA had taken from borrowers. The investor supplied to FmHA an amount equal to principal owed on the note, and the agency guaranteed repayment of the investments with interest. As borrowers repaid loans, payments were made to investors and the value of the investment was reduced. Until 1970, with FmHA program levels requiring less than $1 billion a year of note marketing, sales were conducted directly from FmHA. From 1970 through 1973, as marketing requirements rose to more than $2 billion a year, the agency increased sales by marketing large blocks of notes to security dealers who in turn sold them to trust funds and other large investors.

In 1974, FmHA discontinued the marketing of actual notes and introduced a new investment security instrument, the Certificate of Beneficial Ownership (CBO). CBOs are issued against pools of loan notes and signify that investors will share in interest earnings. Since 1977, FmHA has placed CBOs only with the Federal Financing Bank, an institution closely related to the Department of the Treasury and has sold no CBOs to the public.

SUMMARY BY PROGRAM AREA

From the beginning of the Resettlement Administration in 1935 until the end of Fiscal Year 1979, a total of $73,225,029,109 was advanced or obligated in more than 8.4 million loans and grants made through FmHA and its predecessor agencies.

Program-by-program, the all-time totals as of Sept. 30, 1979, are as shown in the following table:

FARMERS HOME ADMINISTRATION
Loans and Grants by Program -- All-Time Total
through September 30, 1979

	Number of Loans or Grant	Dollar Amount
FARMER PROGRAMS:		
Farm Operating Loans	2,217,442	$ 9,520,098,846
Farm Ownership Loans	342,253	7,002,557,100
Recreation Loans (Individual)	406	15,709,770
Emergency Loans	939,439	11,018,668,664
Emergency Livestock Loans	7,738	1,045,660,130
Economic Emergency Loans	48,765	3,197,781,110
Grazing Association Loans	602	125,174,696
Soil and Water Loans (Individual)	35,133	327,436,122
Irrigation and Drainage Loans	594	30,147,609
Indian Land Acquisition Loans	66	72,818,400
Farmer Programs, Total	3,592,438	$32,356,052,447
RURAL HOUSING PROGRAMS:		
Individual Housing Loans	1,432,023	$22,564,837,598
Very-Low-Income Repair Grants	22,993	41,195,584
Rural Rental Housing Loans	11,132	3,300,079,030
Rural Asst. Program:		
Rental Housing (40,054 Units)	-	730,372,888
Labor Housing (2,569 Units)	-	41,425,657
Farm Labor Housing Loans	949	111,291,050
Farm Labor Housing Grants	140	97,076,140
Site Loans	147	20,147,400
Self-Help Housing Grants	222	36,415,071
Rural Housing Supervisory Assistance Grants	25	2,500,000
Housing Programs, Total	1,467,631	$26,945,340,418
COMMUNITY PROGRAMS:		
Water and Waste Disposal Loans	20,126	$ 5,771,695,164
Water and Waste Disposal Grants	9,469	1,587,967,527
*Community Facility Loans	2,390	1,196,800,720
Industrial Development Grants	1,047	68,580,669
Watershed and Flood Prevention Loans	462	144,697,424
Resource Conservation and Development Loans	257	23,006,409
Rural Development Planning Grants (ADA)	314	10,000,000
Community Programs, Total	34,065	$ 8,802,747,913
BUSINESS & INDUSTRY PROGRAMS:		
Guaranteed Business/Industrial Loans	5,006	$ 3,556,746,169
Business/Industry Programs, Total	5,006	$ 3,556,746,169
DISCONTINUED PROGRAMS:		
State corporation farm operating loans	185,904	$ 158,964,394
Rural rehabilitation loans	3,031,331	1,015,825,965
Economic opportunity loans (indiv.)	64,660	109,394,912
Economic opportunity loans (assn.)	1,476	21,107,481
*Recreation association loans	1,035	110,510,460
Rural renewal loans	56	6,550,300
Water facility loans (indiv.)	18,296	29,695,363
Water/sewer comprehensive plan'g grants	1,834	22,293,387
State corporation farm ownership loans, agricultural credit corporation loans, resettlement projects, water utilization and construction loans	(number not available)	89,800,000
Total discontinued	3,304,592	$ 1,564,142,262
GRAND TOTALS --	8,403,732	$73,225,029,209

*Recreation assn. loans included in community facility loans since 1974.

More than $61.7 billion (84 percent) of FmHA's alltime outlay has moved through its programs since 1966; more than $58.7 billion from fiscal year 1969 through fiscal year 1979.

The unpaid principal on all FmHA loans as of Sept. 30, 1979, totaled $37.3 billion.

The soaring annual volume of programs, making FmHA the largest Federal loan agency dealing directly with borrowers, reflects the rising emphasis during the 1960's and 1970's on resources for development or revival of the whole rural community. As previously cited, programs increased from $300 million to $1.6 billion during the 1960's. Since then, these swiftly rising annual levels have been recorded as a result of the major program expansions enacted since 1965:

FY 1970 —	$ 1,639,748,570	FY 1975 —	5,466,262,317
FY 1971 —	2,414,315,015	FY 1976 —	5,393,792,929
FY 1972 —	2,789,805,921	FY 1977 —	7,235,522,710
FY 1973 —	3,754,934,003	FY 1978 —	11,088,919,995
FY 1974 —	3,591,084,198	FY 1979 —	14,671,661,650

The temporary downward dip between fiscal years 1973 and 1974 was attributed to an exceptionally great outlay for farm emergency loans in 1973, and a January-June moratorium on new subsidized housing that decreased the backlog of loan applications for fiscal year 1974. A large volume of emergency lending was the principal reason why obligations in fiscal year 1975 exceeded those of 1976. The $11 billion volume of 1978 and $14 billion volume of 1979 included record levels for farm emergency, housing, community facility and business industial programs. Between 1976 and 1979, FmHA made 45 percent of the entire dollar amount of loans and grants it has made over its full 44 year history.

Following are summaries of current FmHA services:

FARMER PROGRAMS

Farm ownership loans enable family farmers lacking other sources of credit to buy, improve or enlarge their farming operation. Family size farms operated by individuals, partnerships, cooperatives, or corporations are eligible. Loan limits are $200,000 for insured loans and $300,000 for guaranteed loans. Insured loans may be repaid in up to 40 years. The interest rate for these loans is set periodically, based on the cost of government borrowing. Repayment terms and interest rates are negotiated between the borrower and the lender in the case of guaranteed loans. Borrowers refinance through conventional lenders when sufficiently qualified, thereby "graduating" from FmHA credit. Rising farm costs and loan limits have caused volume to increase from $182,591,290 (for 12,186 loans) in fiscal year 1965 to $763,164,770 (for 12,568 loans) in fiscal year 1979. More than $4 billion of farm ownership credit was outstanding at the end of fiscal year 1979. Loans may be guaranteed or made from insured funds, secured by mortgage on the farm real estate.

Farm operating loans, insured or guaranteed, are usually secured by chattel mortgage for feed, seed, fertilizer, livestock, machinery or other elements of production. Family farmers and ranchers lacking other sources of production financing are eligible. Terms usually range from 1 to 7 years according to loan purpose; interest rate is fixed annually with advice of the U.S. Treasury. The limit is $100,000 for insured loans and $200,000 for guaranteed loans. Program volume increased from $300,259,725 (for 72,597 loans) in fiscal year 1965 to $894,753,900 (for 37,942 loans) in fiscal year 1979.

Limited resource loans are made for same purposes as farm ownership and operating to owner-operator or tenant-operator who because of lack of equipment, capital, land, adequate financing, or sound farming practices, need a lower interest rate to have a reasonable chance of success. These are obstacles faced most often by young farmers and by minority farmers who have not been able to develop farms that earn them an adequate living. The limited resource farmer borrows at the lower interest rates until able to pay the regular rate of lending.

Accelerated efforts by FmHA since 1970 to help farmers secure credit from other lenders has generated additional other-lender credit amounting to about 100 percent of FmHA's real estate (farm ownership) lending, and 40 percent of FmHA's farm production (operating) loans.

Insured or guaranteed Emergency loans cover farming losses inflicted by natural disaster. Ordinarily they are made at rates of 5 percent interest under legislation of 1979 (minimum rate 1 percent for farm residential emergency loans). Loans are made at market rates to resume production following a disaster. The program had a decrease in loan volume between 1978 and 1979 (from 89,119 loans for $3,411,808,200 down to 62,913 loans for $2,871,641,760).

Economic emergency loans are designed to help farmers overcome economic hardships caused by credit scarcity or cost/price squeeze beyond their control. The loans can be either direct or guaranteed and are available only if the farmer cannot get credit from another source. The program which was implemented within one week of its enactment in August 1978 provided a total of 1,463 loans for $108,295,180 by the end of fiscal year 1978. Almost half of all farm lending for the agency in 1979 (62,913 loans for a total of $3,089,485,930) was made under the economic emergency program.

Other farmer programs include insured or guaranteed loans to individual farmers for recreational and other nonagricultural income-producing enterprises on farms, and for improvement of soil and water resources; loans to nonprofit associations for irrigation and drainage systems and grazing ranges; loans to Indian tribal organization to buy up privately-owned land lying within reservation boundaries; and loans for aquaculture.

HOUSING PROGRAMS

Housing credit was a scarcity in rural America until the late 1960's and the consequences were highly visible throughout the nation's towns and countryside. With one-third of the national population, rural America had half of the nation's substandard housing. This meant that the ratio of bad housing to numbers of families was twice as great in rural communites as in the cities.

However, a large-scale attack on rural housing blight has been mounted since 1965 through the facilities of FmHA. Insured loan service comparable to urban FHA housing credit has become available to rural people of low or modest income. The reward to date has been over 1 million new or modernized family-owned homes and about 100,000 units of new apartment housing in rural communites. Most apartment projects serve the need of elderly people for low-cost rental housing.

Of $26.9 billion advanced for housing since 1949, FmHA has moved more than $24.8 billion since the inception of its insured loan authority in 1965. Housing credit is now above $4 billion a year, producing more than 150,000 living units a year.

Individual home ownership (section 502) insured loans go to families of low to moderate income, including senior citizens, who need adequate housing; maximum term for repayment 33 years. Interest rates are adjustable and are determined by formula. Interest supplement benefits may reduce interest to as low as 1 percent for low-income borrowers. FmHA housing credit is available to eligible applicants in rural towns of not more than 20,000. FmHA also guarantees up to 90 percent repayment of housing loans made by private commercial lenders to borrowers of "above moderate" income. In the case of the guaranteed laon , the interest rate is negotiated between the borrower and the commercial lender and a small downpayment is required. A very low income homeowner whose house is severely deficient may be eligible for a low interest (Section 504) loan for repairs needed to make the house safe and adequate for habitation and to remove health hazards. The loan limit is $5,000. Grants or grant/loan combinations are available to help very low income elderly homeowners (62 years of age or older) make necessary repairs to their homes. The amount of grant or loan/grant combination must not exceed $5000.

Rental housing (Section 515) insured loans provide modernized rental or cooperative housing for persons with low and moderate incomes and for those age 62 and older in rural towns of not more than 10,000 population. The loans are repayable in not more than 50 years for projects designed for senior citizens and 40 years for all other projects, with reduced interest available to public, nonprofit and limited-profit developers of modern units priced within means of low-income tenants. Provisions are made for interest reductions under certain circumstances, so that low income tenants may be given rental rates within their means. Rent paid by low-income tenants also can be supplemented through a rental assistance program administered by FmHA or HUD's Section 8 rent-subsidy program.

Mutual self-help housing loans are made to families who wish to work together to build their own homes with financial and technical assistance from FmHA.

Congregate housing loans offer senior citizens and handicapped persons semi-independent living quarters which may include central dining facilities, housekeeping help, limited health care units, and other centralized services.

Other housing programs include two-year loans to nonprofit developers of improved rural homesite areas; loans and grants for development of adequate farm labor housing; grants to qualified organizations to help low-income families accomplish "self-help" homebuilding projects; grants for counseling of homeowners and technical assistance in the development of new single-family homes; and home weatherizing improvements with simplified financing through FmHA and rural electric cooperatives or other utility companies.

COMMUNITY FACILITIES

Water and waste disposal systems -- As with housing, rural America's deficiency in modernized water and waste disposal systems is steadily being reduced through financing administered by FmHA. Some 10,500 systems, ranging in coverage from small local communities to intercommunity or multicounty areas, have been built since 1965 when Congress converted FmHA's early-day water facilities loan program into the nation's major rural water and sewer program. Projects lackng other means of financing can receive FmHA loans for up to 40 years at a statutory maximum interest rate of 5 percent. Grants can be added where necessary to prevent a system's debt-repayment load from imposing excessive service rates on patrons of the system. Loans also are made for systems for collection and disposal of waste. Systems financed through FmHA cover rural countryside and towns of not more than 10,000 population. Annual funding level of the program has grown from $50 million to $1.2 billion since 1965 and now provides for about 2,000 new systems or system improvements per year.

Other community facilities -- The Rural Development Act of 1972 extended FmHA's lending authority to embrace any kind of community facility provided by public body or nonprofit organization. Fire protection, community halls, hospitals, nursing homes, medical clinics, libraries, schools and recreation centers are among more than 30 types of community facilities eligible for financing. Facilities may be in rural countryside or towns of up to 10,000. Loans are made for up to 40 years at 5 percent interest. With respect to health care facilities, a cooperative arrangement exists between FmHA and the U.S. Department of Health, Education and Welfare (HEW) whereby FmHA makes loans to build and equip clinics or other health centers in medically-underserved rural areas, and HEW provides operating funds and placement services to assure staffing with medical personnel.

Other programs -- Local costs of projects developed under the small watershed and resource conservation and development programs also may be financed through loans by FmHA to sponsoring local organizations.

BUSINESS AND INDUSTRY

Under authority provided in the Rural Development Act of 1972, FmHA in fiscal year 1974 added to its services new programs intended to encourage business and industrial development in rural areas in order to create or preserve employment opportunities. The jurisdiction for FmHA business and industrial loans and grants extends to towns and cities of 50,000 population, with emphasis on communities of 25,000 or less.

Under the business and industry guaranteed loan program, loans by commercial lenders to private individuals or companies are backed by the assurance of FmHA's guarantee for repayment (up to 90 percent) of losses, limiting the risk of many local lenders. Funds may be used for expenses such as purchase of land, building, equipment and working capital, and in certain cases for refinancing debt. Loan terms are negotiated between the lender and borrower.

Industrial development grants are made to local public bodies to buy land, install utilities and make other essential improvements on rural industrial sites.

AREA DEVELOPMENT ASSISTANCE PROGRAMS

Area development assistance planning grants, often called "Section III grants," are made to states, sub-state districts, local units of government and certain community based organizations to encourage and help meet the cost of comprehensive planning in rural areas -- especially as such planning affects the unemployed, underemployed, those with low family income, and minorities. Grants may be used for planning efforts in a wide variety of areas including water, sewer, housing, energy and economic development.

Energy Impacted Area Development Assistance grants are available to manage the growth plans of a rural community which has a sudden surge of population growth because of increased coal or uranium production in the area. "Energy impacted" areas are designated by State Governors and approved by the Department of Energy. Grants are provided to local governments based on the Governor's priorities.

1979 OBLIGATIONS FOR ALL PROGRAMS

A detailed statistical explanation of FmHA loans and grants for fiscal year 1979 follows.

U.S. DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION
Loans and Grants by Program -- Fiscal Year 1979*

	Number of Loans or Grants	Dollar Amount
FARMER PROGRAMS:		
Farm Operating Loans	37,942	894,753,900
Farm Ownership Loans	12,568	763,164,770
Recreation Loans (Individual)	29	2,195,940
Emergency Loans	62,913	2,871,641,760
Emergency Livestock Loans	97	91,035,330
Economic Emergency Loans	47,302	3,089,485,930
Grazing Association Loans	5	2,074,300
Soil and Water Loans (Individual)	2,500	51,479,340
Irrigation and Drainage loans	5	637,000
Indian Land Acquisition Loans	7	11,000,000
Farmer Programs, Total	163,368	7,705,468,270
RURAL HOUSING PROGRAMS:		
Low-Moderate Income Housing Loans	111,178	2,866,996,770
Guaranteed Above-Moderate Income Housing Loans.	377	11,851,770
Very-Low-Income Repair Loans	5,651	14,710,250
Very-Low-Income Repair Grants	6,842	18,999,980
Rural Rental Housing Loans	1,645	869,508,560
Rural Asst. Program:		
Rental Housing .....(22,058 Units)	-	418,013,500
Labor Housing.....(565 Units)	-	4,941,750
Farm Labor Housing Loans	254	36,328,810
Farm Labor Housing Grants	36	32,427.860
Site Loans	26	4,682,760
Self-Help Housing Grants	36	5,629,420
Rural Housing Supervisory Assistance Grants	25	2,500,000
Housing Programs, Total	126,070	4,286,591,430
COMMUNITY PROGRAMS:		
Water and Waste Disposal Loans	1,802	899,999,920
Water and Waste Disposal Grants	1,066	291,600,000
Community Facility Loans	615	246,998,620
Industrial Development Grants	176	10,000,000
Business and Industrial Loans	1,609	1,219,307,670
Watershed and Flood Prevention Loans	5	4,818,000
Resource Conservation and Development Loans	10,	1,877,740
Rural Development Planning Grants (ADA)	169	5,000,000
Community Programs, Total	5,452	2,679,601,950
FmHA PROGRAM TOTALS:		
Loans	286,540	13,882,549,140
Grants	8,350	789,112,510
TOTAL, FmHA PROGRAM	294,890	14,671,661,650

*Excluding 310 grants totaling $15,904,020 administered for other agencies.

MIS Division

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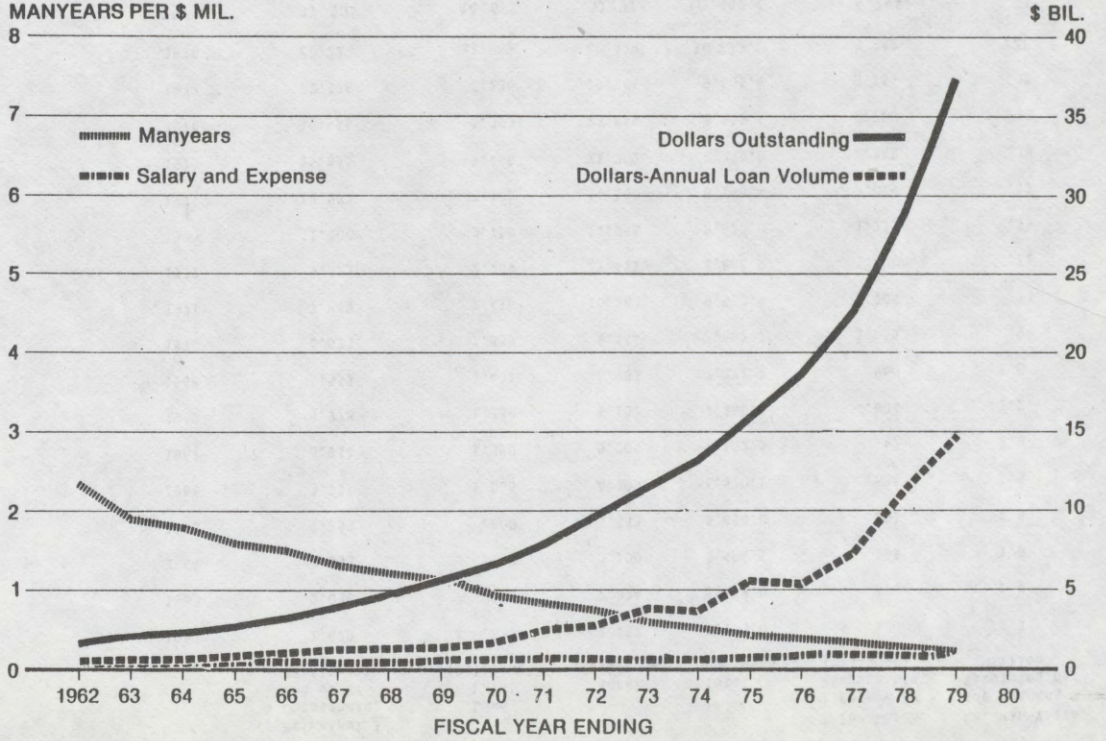
FARMERS HOME ADMINISTRATION

COMPARISON: DOLLARS OUTSTANDING, DOLLARS LENT, SALARY & EXPENSE vs. MANYEARS PER MILLION DOLLARS LENT AND SERVICED



COMPARISON - AMOUNT LENT AND SERVICED vs MAN-YEARS PAID FOR

	Principal 1/ $ Outstanding End of FY (Billions)	Loan Level (Billions)	Total (Billions)	Total Man-Years	$ For Which 1 Person is Responsible (Millions)	No. Man-Years for Loaning & Servicing per Million
1962	1.620	$ .637	2.257	5,253.0	$ .430	2.3
1963	2.038	.796	2.834	5,419.0	.523	1.9
1964	2.353	.747	3.100	5,484.1	.565	1.8
1965	2.753	.800	3.553	5,858.0	.607	1.6
1966	3.221	1.088	4.309	6,590.1	.654	1.5
1967	3.914	1.390	5.304	7,102.5	.747	1.3
1968	4.778	1.359	6.137	7,360.1	.834	1.2
1968	5.552	1.431	6.983	7,271.7	.960	1.0
1970	6.525	1.639	8.164	7,662.7	1.065	.94
1971	7.869	2.414	10.283	8,533.9	1.205	.83
1972	9.622	2.789	12.411	8,865.9	1.400	.71
1973	11.206	3.750	14.956	8,672.0	1.725	.58
1974	12.977	3.591	16.568	8,168.4	2.029	.49
1975	15.836	5.466	21.302	8,359.0	2.548	.39
1976	18.456	5.393	23.849	8,555.4	2.788	.36
1977	22.526	7.236	29.762	9,405.4	3.164	.32
1978	28.712	11.089	40.428	10,233.0	3.952	.26
1979	37.304	14.672	51.976	10,842.0	4.794	.21

1/ Does not include "GUARANTEED LOANS".

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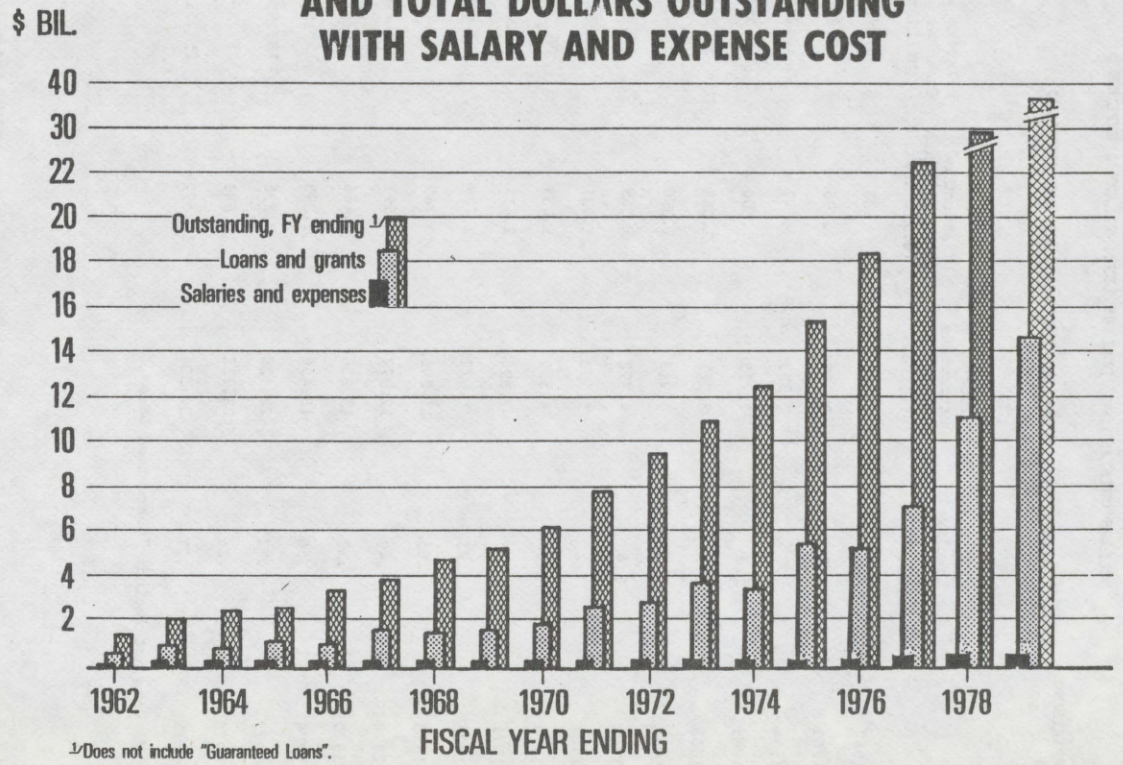
FARMERS HOME ADMINISTRATION

COMPARISON OF DOLLARS LOANED AND TOTAL DOLLARS OUTSTANDING WITH SALARY AND EXPENSE COST



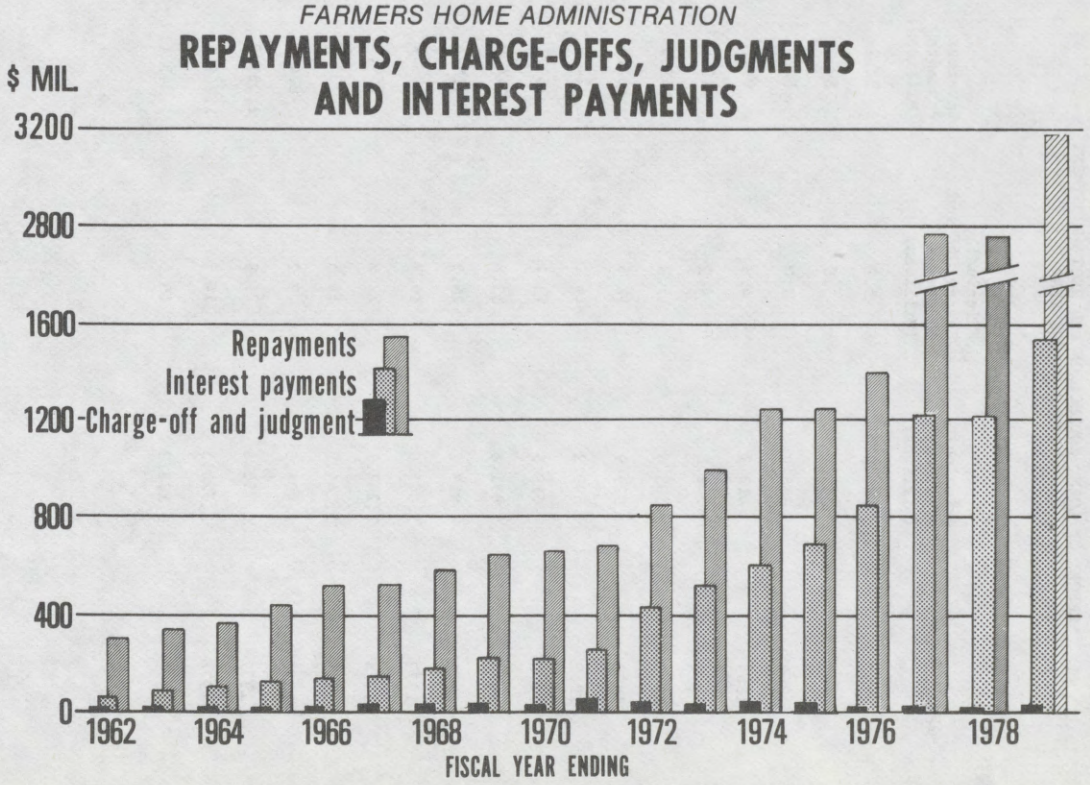
1/Does not include "Guaranteed Loans".

COMPARISON: DOLLARS OUTSTANDING, DOLLARS LENT, SALARY & EXPENSE vs MAN-YEARS PER MILLION DOLLARS LENT AND SERVICED

	No. Man-Years for Loaning or Servicing Per Million $	Principal 1/ Balance Outstanding End of FY (Billions)	FY Amount of Loans & Grants (Billions)	Salaries and Expenses (Millions)
1962	2.7	1.620	.637	$ 39.720
1963	2.2	2.038	.796	40.800
1964	2.0	2.353	.747	44.218
1965	1.9	2.753	.800	49.563
1966	1.7	3.211	1.088	57.826
1967	1.5	3.913	1.390	62.214
1968	1.4	4.778	1.359	67.861
1969	1.2	5.552	1.431	72.354
1970	1.1	6.525	1.639	86.159
1971	.95	7.896	2.414	103.422
1972	.83	9.622	2.789	113.888
1973	.65	11.206	3.749	121.766
1974	.49	12.977	3.591	128.724
1975	.39	15.836	5.466	142.828
1976	.36	18.456	5.393	158.692
1977	.32	22.526	7.236	187.959
1978	.26	28.712	11.089	227.867
1979	.21	37.304	14.672	254.517

1/ Does not include "Guaranteed Loans."

MIS Division


FARMERS HOME ADMINISTRATION
REPAYMENTS, CHARGE-OFFS, JUDGMENTS AND INTEREST PAYMENTS
$ MIL.
3200
2800
1600
1200
800
400
0
Repayments
Interest payments
Charge-off and judgment
1962
1964
1966
1968
1970
1972
1974
1976
1978
FISCAL YEAR ENDING

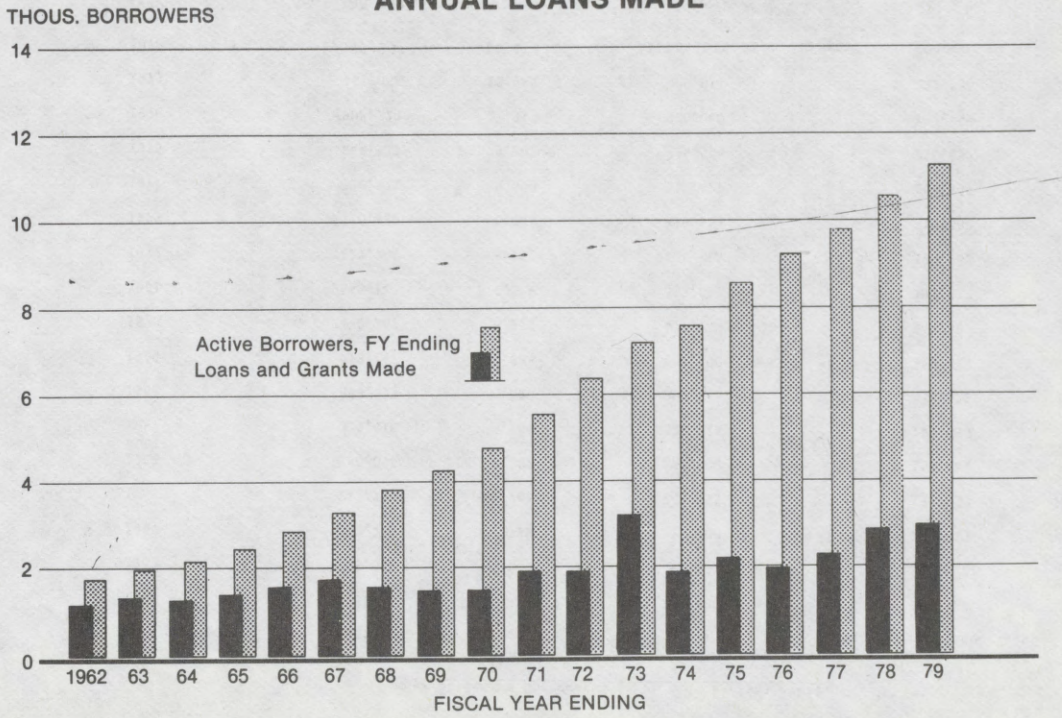
REPORT OF LOAN, COLLECTION AND DEBT ADJUSTMENT
ACTIVITIES DURING YEAR

Fiscal Year	Principal Repayment (Millions)	Principal Charge Off and Judgement (Millions)	Interest Payments (Millions)
1962	$ 280.9	$ 5.2	$ 52.2
1963	349.1	5.8	67.9
1964	388.9	7.0	84.9
1965	413.7	4.8	99.7
1966	502.6	4.9	118.6
1967	503.4	17.9	145.7
1968	539.9	12.5	182.6
1969	599.2	16.1	222.9
1970	610.5	13.7	259.1
1971	671.6	33.8	344.8
1972	859.2	26.3	415.4
1973	1,045.0	19.7	497.9
1974	1,247.1	22.2	589.2
1975	1,244.2	18.5	704.1
1976	1,404.5	9.2	824.6
1977	2,753.6	21.9	1,251.7
1978	2,725.5	14.3	1,268.3
1979	3,173.3	16.5	1,543.1

MIS Division

FARMERS HOME ADMINISTRATION

COMPARISON OF TOTAL ACTIVE BORROWERS; ANNUAL LOANS MADE



FmHA STATISTICS 1/

Number of Active Borrowers, as of end of Fiscal Year.

	Indiv.	Assoc.	Total	Number of Loans & Grants Made, Total
1962	175,972	428	176,400	119,958
1963	198,089	543	198,632	134,172
1964	212,420	788	213,208	127,013
1965	241,790	1,265	243,055	138,020
1966	280,098	2,302	282,400	155,889
1967	324,418	3,909	328,327	169,630
1968	377,857	5,088	382,945	155,521
1969	418,167	6,233	424,400	148,414
1970	470,267	6,973	477,240	149,407
1971	548,143	7,556	555,699	191,913
1972	627,744	8,151	635,895	190,188
1973	710,980	8,705	719,653	318,587
1974	750,421	9,000	759,421	189,437
1975	844,527	9,997	854,524	216,852
1976	908,723	11,317	920,040	197,949
1977	967,066	12,945	980,011	222,684
1978	1,040,207	14,412	1,054,619	283,696
1979	1,108,353	16,173	1,124,526	294,890

1/ Guaranteed Loans not included.

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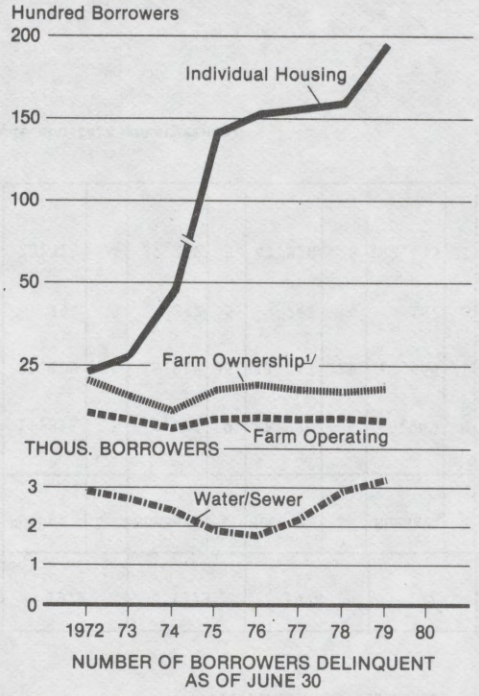
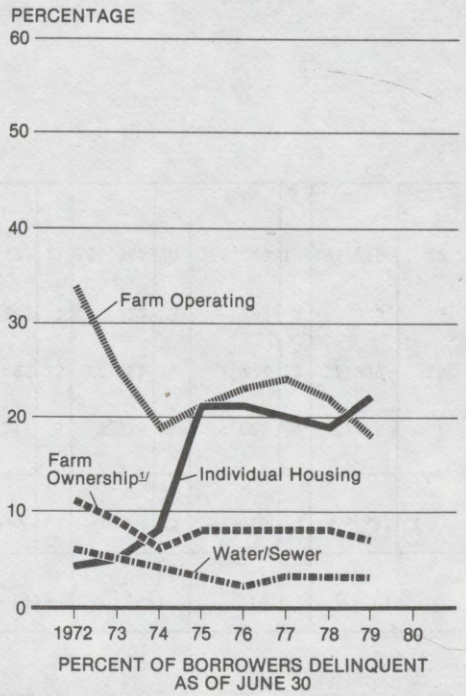
MAJOR FmHA PROGRAMS



NUMBER OF BORROWERS DELINQUENT AS OF JUNE 30



PERCENT OF BORROWERS DELINQUENT AS OF JUNE 30

1/DOES NOT INCLUDE NON-FARM ENTERPRISES.

BORROWERS DELINQUENT, MAJOR PROGRAMS
BY NUMBER AND PERCENTAGE AS OF JUNE 30

Program	1972		1973		1974		1975		1976		1977		1978		1979	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Farm Ownership 1/	11,315	11	9,292	9	6,270	6	8,949	8	9,117	8	8,978	8	9,024	8	8,288	7
Farm Operating	21,005	34	15,918	25	11,757	19	17,858	21	19,425	23	17,891	24	17,772	22	17,959	18
Water & Waste	294	6	272	5	243	4	187	3	177	2	222	3	292	3	325	3
Individual Housing	20,313	4	27,252	5	47,820	8	142,435	21	153,425	21	156,344	20	160,044	19	195,179	22

1/ Does not include non-farm enterprises.

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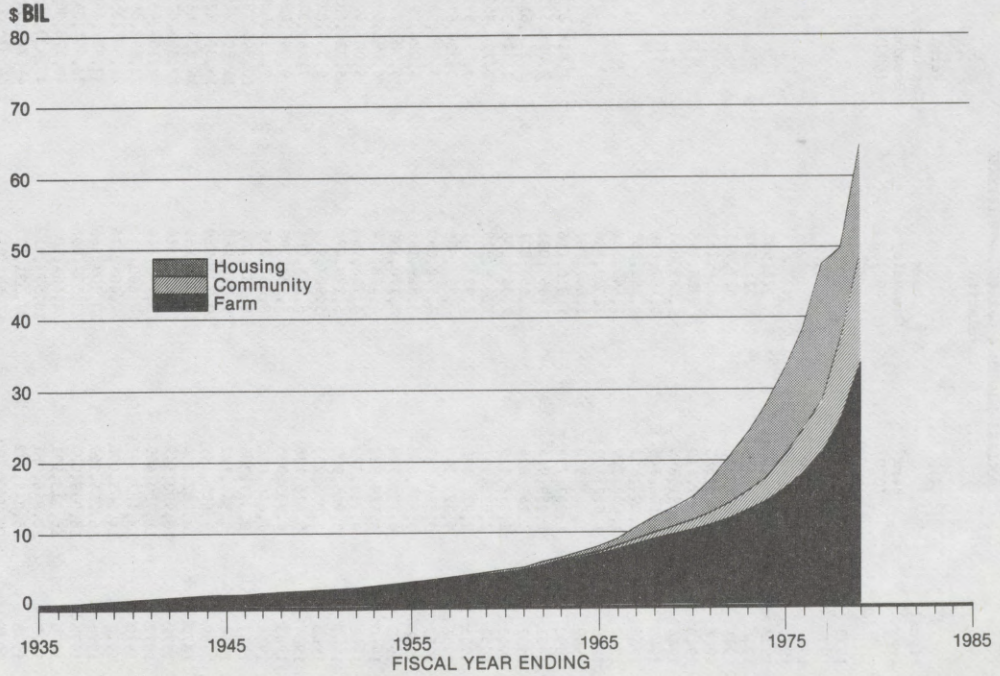
FARMERS HOME ADMINISTRATION

CUMULATIVE DOLLARS LOANED BY MAJOR PROGRAM



DOLLARS LOANED & GRANTS ADMINISTERED
(Cumulative)

Fiscal Year	Farm (000)	Farm, Community (000)	Farm, Community, Housing (000)
1935	$ 676		
1936	76,964		
1937	152,466		
1938	232,769		
1939	376,457	$ 376,551	
1940	511,459	511,578	
1941	677,353	677,711	
1942	853,563	854,153	
1943	987,410	988,195	
1944	1,081,865	1,082,663	
1945	1,166,746	1,167,686	
1946	1,294,853	1,295,961	
1947	1,444,229	1,445,562	
1948	1,527,172	1,528,788	
1949	1,645,550	1,647,367	
1950	1,807,738	1,810,116	$ 1,828,277
1951	1,959,944	1,963,081	2,005,335
1952	2,149,824	2,154,201	2,217,610
1953	2,358,119	2,363,539	2,446,305
1954	2,632,991	2,639,919	2,738,753
1955	2,924,480	2,933,161	3,031,995
1956	3,227,179	3,237,085	3,339,639
1957	3,560,687	3,572,090	3,695,935
1958	3,855,833	3,869,185	4,026,096
1959	4,152,739	4,170,139	4,387,725
1960	4,419,882	4,438,274	4,696,596
1961	4,739,379	4,758,763	5,087,426
1962	5,265,900	5,299,474	5,724,635
1963	5,855,257	5,907,919	6,520,820
1964	6,416,138	6,518,084	7,268,328
1965	6,999,883	7,183,199	8,066,484
1966	7,640,678	8,003,235	9,155,069
1967	8,327,308	8,951,204	10,545,157
1968	8,944,122	9,816,260	11,904,249
1969	9,628,177	10,737,050	13,337,129
1970	10,262,234	11,582,755	14,976,669
1971	10,950,142	12,603,614	17,396,625
1972	11,750,489	13,774,644	20,186,432
1973	13,182,391	15,660,242	23,899,895
1974	14,205,696	17,468,375	27,501,356
1975	16,214,227	20,709,585	32,987,446
1976	18,039,087	23,597,898	38,401,347
1976 + TQ	18,413,931	24,464,183	40,178,366
1977	20,846,961	28,573,912	47,433,890
1978	25,842,822	37,331,122	49,765,599
1979	33,548,290	47,594,261	64,315,330

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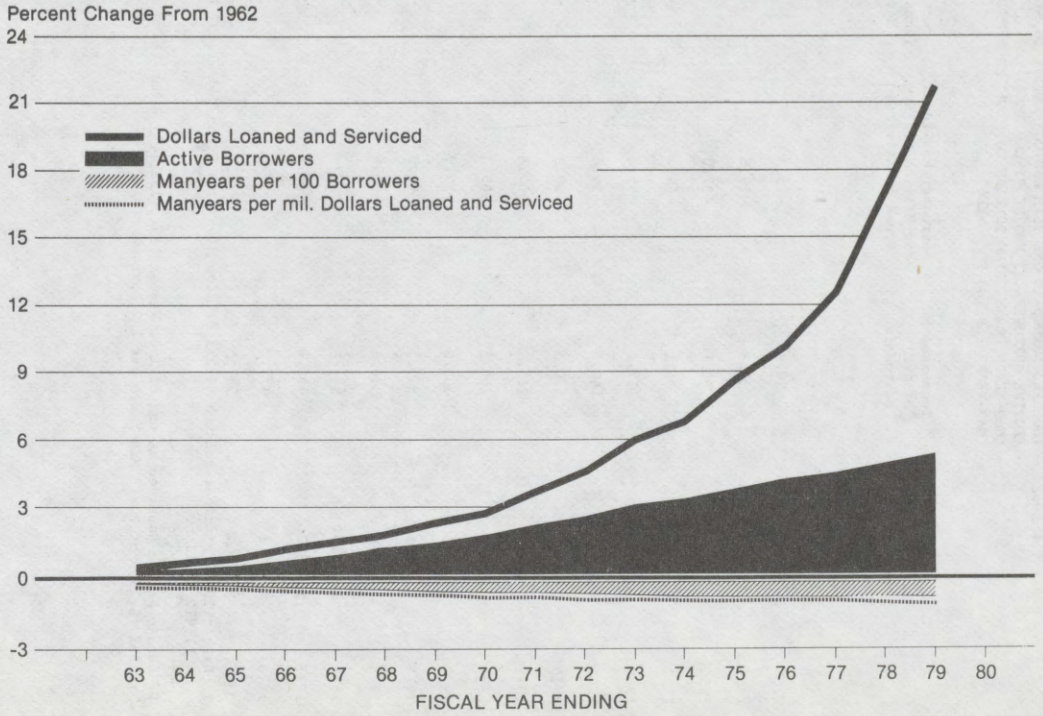
FARMERS HOME ADMINISTRATION

PERCENT CHANGE: DOLLARS, BORROWERS, MANYEARS



PERCENT CHANGE: - (DOLLARS LOANED IN ONE YEAR AND CUMULATIVE TO SERVICE)
- (ACTIVE BORROWERS AT END OF FISCAL YEAR)
- (MAN-YEARS PER MILLION DOLLARS TO LOAN AND SERVICE)
- (MAN-YEARS PER 100 BORROWERS)

	Increase, Dollars Loaned & to be Serviced	Increase, No. of Active Borrowers	Decrease, Man-Years Per Million Dollars Loaned or Serviced	Decrease Man-Years Per 100 Borrowers
1962	Zero 1/	Zero	Zero	Zero 2/
1963	26.4	12.6	-18.5	-8.4
1964	45.7	20.9	-25.9	-13.6
1965	64.9	37.8	-29.6	-19.1
1966	100.9	60.1	-37.0	-21.6
1967	141.2	86.1	-44.4	-27.4
1968	175.8	117.1	-48.2	-35.5
1969	224.7	140.6	-55.6	-42.5
1970	276.1	170.5	-59.3	-46.1
1971	367.5	215.0	-64.8	-48.4
1972	457.4	260.5	-69.3	-53.2
1973	599.3	308.0	-75.9	-59.5
1974	673.9	330.5	-81.9	-63.9
1975	864.6	384.4	-85.6	-67.2
1976	1,010.3	421.6	-86.7	-68.8
1977	1,243.7	455.6	-88.1	-67.8
1978	1,688.1	497.9	-90.4	-67.4
1979	2,169.0	537.5	-92.2	-67.6

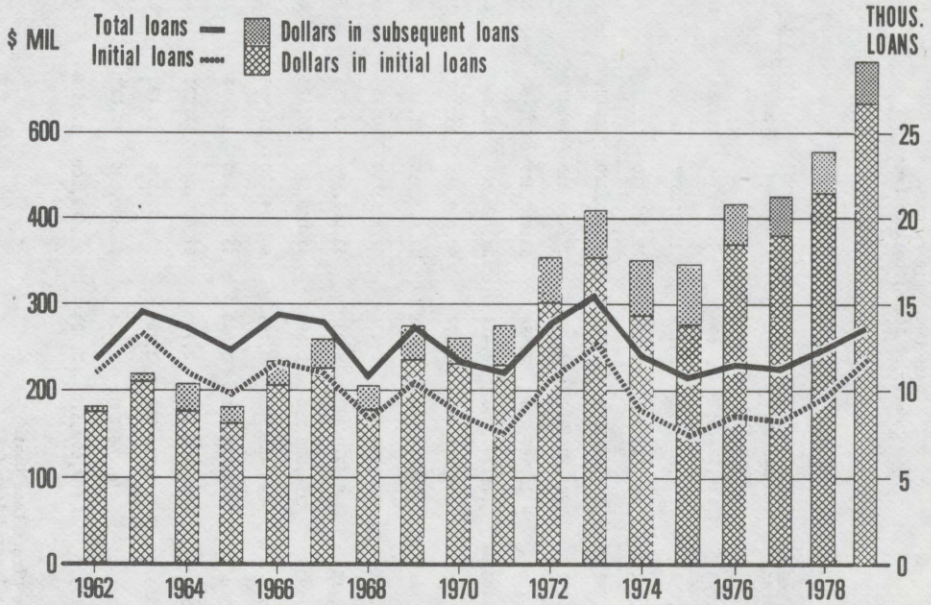
1/ Base = 1961 Principal Balance $1.275 Billion plus 1962 Loans Made $.637 Billion = $1.912 Billion.

2/ Base = Active Caseload at end of 1961 Fiscal Year (156,447) & Man-Years for 1962 (5,253) or 2.978 Man-Years per 100 Borrowers.

MIS Division

FARMERS HOME ADMINISTRATION

FARM OWNERSHIP LOANS, NUMBER OF LOANS, DOLLARS LENT*



* INCLUDES DIRECT LOAN COSTS
EXCLUDES INSURED LOAN COSTS

FARM OWNERSHIP PROGRAM
Number of Loans; Dollars Lent*

	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1962	10,943	$175,524,312	845	$ 7,483,366	11,788	$183,007,678
1963	13,286	212,200,471	1,121	9,555,527	14,407	221,755,998
1964	11,061	184,899,960	2,497	21,381,410	13,558	206,281,370
1965	9,885	162,295,970	2,301	20,295,320	12,186	182,591,290
1966	11,532	205,806,910	2,747	27,430,513	14,279	223,237,423
1967	11,101	226,587,210	2,886	33,412,389	13,987	259,999,599
1968	8,403	176,289,150	2,411	28,709,744	10,814	204,998,894
1969	10,525	237,047,040	3,177	40,073,052	13,702	277,120,092
1970	8,644	222,949,520	2,841	38,547,055	11,491	261,496,575
1971	8,522	230,560,910	2,434	37,875,258	10,956	268,436,168
1972	10,718	302,220,690	3,037	53,541,329	13,755	355,762,019
1973	12,593	356,058,150	2,899	52,059,220	15,492	408,117,370
1974	8,728	291,482,260	3,269	60,679,170	11,997	352,161,430
1975	7,550	286,608,341	3,048	65,024,420	10,598	351,632,761
1976	8,583	367,204,570	2,788	67,800,228	11,371	435,004,798
1977	8,353	378,916,850	2,769	72,323,130	11,122	451,239,980
1978	9,384	474,266,230	2,631	76,580,270	12,015	550,846,500
1979	10,179	667,699,570	2,389	95,465,200	12,568	768,164,770

* Includes Direct Loan Costs
Excludes Insured Loan Cost

MIS Division

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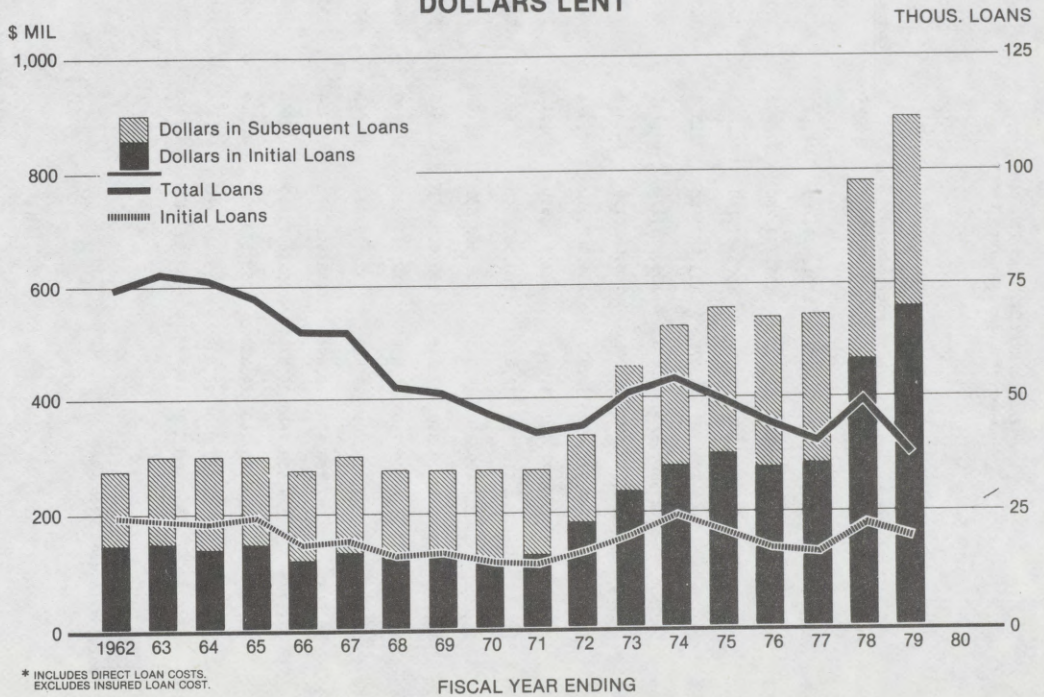
FARMERS HOME ADMINISTRATION

FARM OPERATING LOANS, NUMBER OF LOANS, DOLLARS LENT *



* INCLUDES DIRECT LOAN COSTS, EXCLUDES INSURED LOAN COST.

FARM OPERATING LOAN PROGRAM
Number of Loans; Dollars Lent*

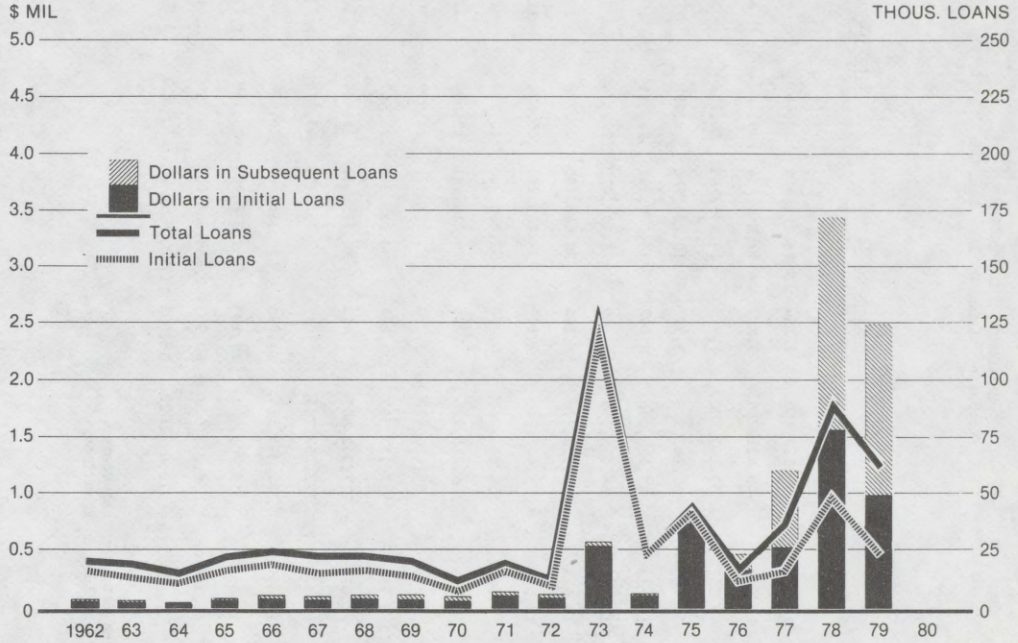
	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1962	24,378	$143,025,215	50,299	$131,974,785	74,677	$274,000,000
1963	23,770	149,776,720	54,222	150,223,280	77,992	300,000,000
1964	22,939	139,637,260	53,672	160,362,740	76,611	300,000,000
1965	24,127	146,510,340	48,470	153,489,660	72,597	300,000,000
1966	18,255	115,620,870	46,488	159,379,130	64,743	275,000,000
1967	18,893	131,918,850	46,006	168,081,150	64,899	300,000,000
1968	15,784	119,917,490	36,537	155,082,510	52,321	275,000,000
1969	16,234	127,094,340	34,577	147,905,630	50,811	274,999,970
1970	14,247	114,416,920	32,410	160,583,048	46,657	274,999,968
1971	13,635	125,499,360	28,545	149,500,631	42,180	274,999,991
1972	16,649	181,229,350	27,196	156,056,468	43,845	337,285,818
1973	19,172	237,329,750	31,808	217,314,627	50,980	454,644,377
1974	23,965	282,416,201	29,900	242,577,627	53,865	524,993,821
1975	20,560	302,266,678	28,694	248,520,072	49,254	550,786,750
1976	17,172	279,529,768	26,876	259,687,665	44,048	539,217,433
1977	15,709	283,770,260	24,830	258,573,030	40,539	542,343,290
1978	22,176	466,642,040	27,238	313,985,760	49,414	780,627,800
1979	19,079	552,541,730	18,863	342,212,170	37,942	894,753,900

* Includes Direct Loan Costs
Excludes Insured Loan Cost

MIS Division

FARMERS HOME ADMINISTRATION

EMERGENCY LOANS, NUMBER OF LOANS, DOLLARS LENT*



*INCLUDES DIRECT LOAN COSTS. EXCLUDES INSURED LOAN COST.

EMERGENCY LOAN PROGRAM
Number of Loans; Dollars Lent*

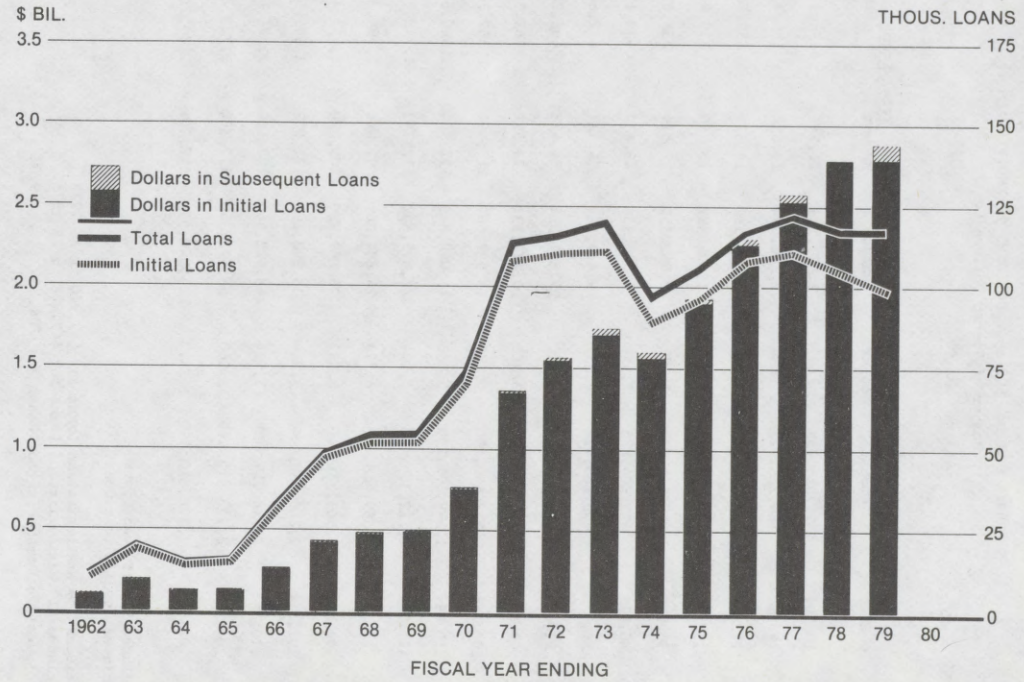
	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1962	16,107	$ 50,114,260	4,754	$ 13,225,816	20,861	$ 63,340,076
1963	13,447	45,421,785	5,897	17,057,454	19,344	62,479,239
1964	10,357	33,263,300	4,945	16,934,483	15,302	50,197,783
1965	16,743	60,183,375	5,547	18,263 786	22,290	78,447,161
1966	18,273	77,420,090	6,098	23,069,241	24,371	100,489,331
1967	15,765	66,425,255	6,409	28,197,013	22,174	94,622,268
1968	16,124	77,528,270	6,104	30,646,155	22,228	108,174,425
1969	13,509	75,427,940	7,177	39,288,213	20,686	114,716,153
1970	7,800	56,364,080	4,978	33,066,080	12,778	89,430,160
1971	16,025	101,216,425	3,779	26,419,481	19,804	127,635,906
1972	9,716	83,420,630	3,263	25,491,179	12,979	108,911,809
1973	124,783	527,727,353	3,884	30,039,242	128,667	557,766,595
1974	22,016	117,361,657	418	10,975,112	22,434	128,336,769
1975	42,976	722,263,783	699	12,756,754	43,675	735,020,537
1976	11,880	321,395,514	4,998	156,316,305	16,878	447,711,819
1977	16,666	515,709,080	19,103	662,678,900	35,769	1,178,387,980
1978	48,166	1,558,223,570	40,953	1,853,584,630	89,119	3,411,808,200
1979	24,838	970,026,080	38,075	1,901,615,680	62,913	2,871,641,760

* Includes Direct Loan Costs
Excludes Insured Loan Cost

MIS Division

FARMERS HOME ADMINISTRATION

RURAL HOUSING LOANS TO INDIVIDUALS, NUMBER OF LOANS, DOLLARS LENT*



* INCLUDES DIRECT LOAN COSTS.
EXCLUDES INSURED LOAN COST.

RURAL HOUSING 502 and 504 LOANS TO INDIVIDUALS
Number of loans; Dollars Lent*

	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1962	10,706	$ 94,054,759	641	$ 2,321,193	11,347	$ 96,375,952
1963	19,164	184,265,722	694	2,106,004	19,858	186,371,726
1964	13,802	128,876,270	576	1,610,384	14,378	130,486,654
1965	15,177	129,343,600	591	1,632,387	15,768	130,975,987
1966	30,908	255,558,560	1,121	3,061,551	32,029	258,620,111
1967	46,879	425,604,835	1,558	4,527,934	48,437	430,132,769
1968	51,970	468,185,434	2,357	5,479,564	54,327	437,664,998
1969	51,560	480,363,630	2,878	5,857,314	54,438	486,220,944
1970	69,423	750,919,400	3,928	10,677,131	73,351	761,596,531
1971	108,188	1,353,830,290	5,276	13,937,662	113,464	1,367,767,952
1972	110,097	1,549,571,250	5,888	17,048,825	115,985	1,566,620,075
1973	111,779	1,712,380,440	8,004	27,875,832	119,783	1,740,256,272
1974	88,728	1,569,628,860	8,278	24,684,069	97,006	1,594,312,929
1975	96,688	1,903,281,940	8,382	28,169,930	105,070	1,931,451,870
1976	107,514	2,256,680,464	9,544	35,892,200	117,058	2,292,572,664
1977	110,543	2,528,014,600	11,534	48,612,460	122,136 a/	2,576,675,030 a/
1978	104,869	2,778,813,490	12,000	56,578,350	117,382 a/	2,703,242,438 a/
1979	98,987	2,778,813,490	17,423	114,040,970	117,206 a/	2,893,558,790 a/

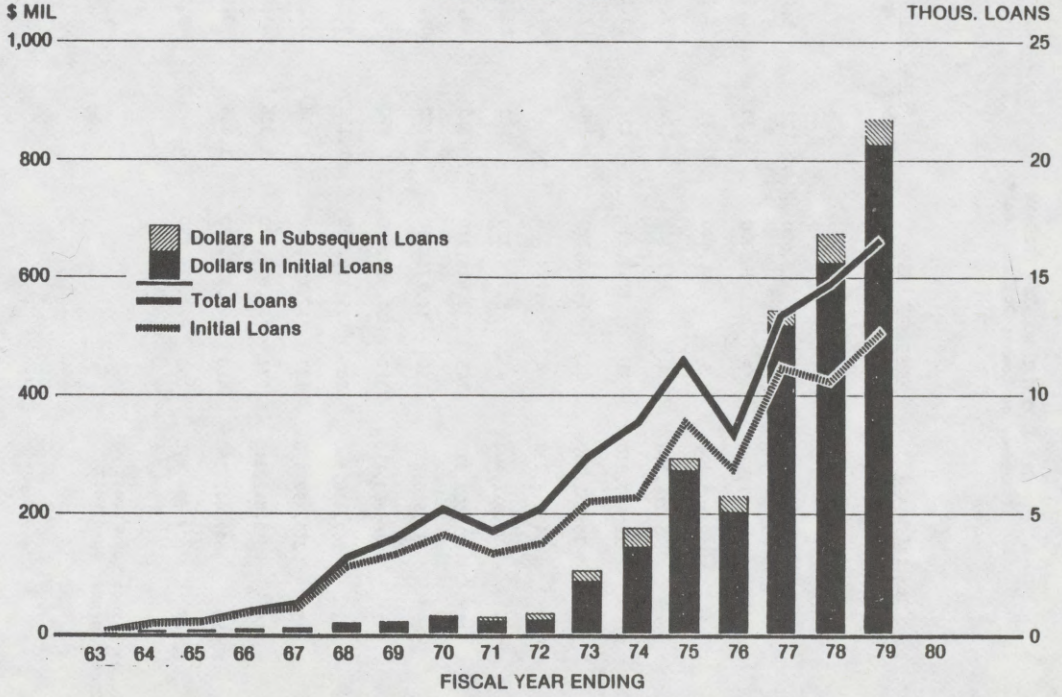
* Includes Direct Loan Costs
Excludes Insured Loan Cost

a/ Includes 59 Weatherization Loans for $47,970 in FY 1977.
Includes 513 Weatherization Loans for 447,828 in FY 1978.
Includes 796 Weatherization Loans for 704,330 in FY 1979.

MIS Division

FARMERS HOME ADMINISTRATION

RURAL RENTAL HOUSING LOANS, NUMBER OF LOANS, DOLLARS LENT *



* INCLUDES DIRECT LOAN COSTS.
EXCLUDES INSURED LOAN COST.

RURAL RENTAL HOUSING PROGRAM
Number of Loans; Dollars Lent*

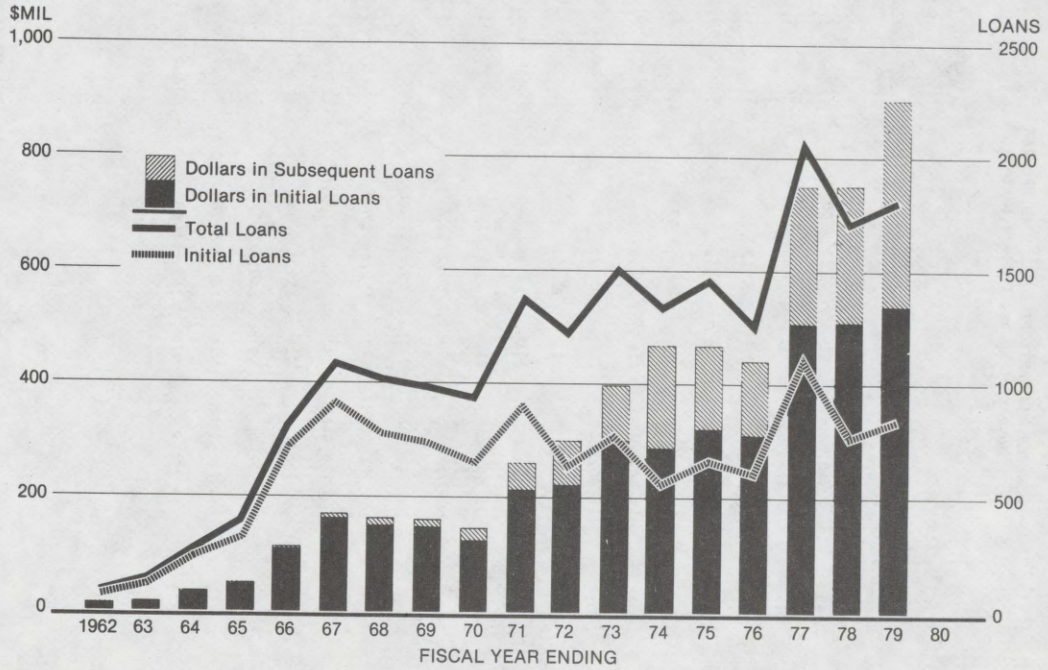
	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1963	2	117,000	--	--	2	117,000
1964	21	1,148,600	1	18,000	22	1,166,600
1965	32	1,787,530	3	230,000	35	2,017,530
1966	76	4,165,770	5	141,400	81	4,307,170
1967	99	5,314,350	11	175,380	110	5,489,730
1968	276	12,427,010	21	748,890	297	13,175,900
1969	329	15,351,280	61	1,983,220	390	17,334,500
1970	412	24,148,230	98	4,292,510	510	28,440,740
1971	325	21,012,400	97	5,776,290	422	26,788,690
1972	372	21,502,910	143	8,614,970	515	40,117,880
1973	546	87,886,880	184	17,175,750	730	105,062,630
1974	562	140,663,110	317	32,650,920	879	173,314,030
1975	903	267,036,590	205	25,319,750	1,153	292,356,340
1976	685	213,992,470	153	17,209,680	838	231,202,150
1977	1,114	518,017,210	222	26,936,970	1,336	544,954,180
1978	1,056	627,442,260	410	48,502,290	1,466	675,944,550
1979	1,247	827,894,470	398	41,614,090	1,645	869,508,560

* Includes Direct Loan Costs
Excludes Insured Loan Cost

MIS Division

FARMERS HOME ADMINISTRATION

WATER WASTE DISPOSAL LOANS, NUMBER OF LOANS, DOLLARS LENT*



*INCLUDES LOAN COSTS

WATER AND WASTE DISPOSAL LOAN PROGRAM
Number of Loans; Dollars Lent*

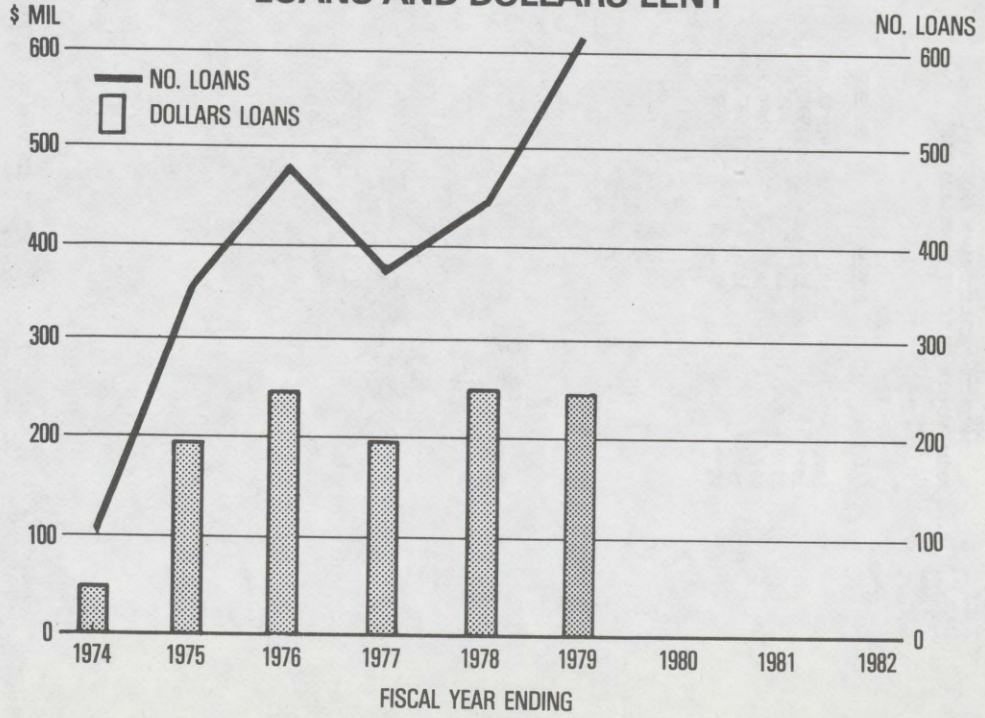
	Initial Loans		Subsequent Loans		Total Loans	
	Number	Amount	Number	Amount	Number	Amount
1962	69	9,940,500	12	230,500	81	10,121,000
1963	114	13,876,565	21	864,130	135	14,740,695
1964	239	32,876,590	32	1,130,220	271	34,006,810
1965	324	47,982,510	70	2,406,970	394	50,389,480
1966	705	107,889,768	96	4,913,020	801	112,802,788
1967	915	165,206,014	174	9,967,165	1,089	175,173,179
1968	775	149,802,640	241	12,789,710	1,016	162,592,350
1969	739	147,036,310	242	17,610,850	981	164,647,160
1970	647	123,183,450	294	22,847,040	941	146,030,490
1971	899	213,092,800	468	48,611,100	1,367	261,703,900
1972	631	220,777,500	595	79,221,500	1,226	299,999,000
1973	768	300,182,500	734	99,812,300	1,502	399,994,800
1974	546	288,354,157	779	181,644,943	1,325	469,999,100
1975	658	320,188,646	793	149,798,300	1,451	469,986,946
1976	597	308,206,748	648	134,435,086	1,245	442,641,834
1977	1,097	508,238,060	951	240,612,370	2,048	748,850,430
1978	756	509,133,100	946	240,862,700	1,702	749,995,800
1979	823	537,351,830	979	362,648,090	1,802	899,999,920

* Includes Loan Costs

MIS Division

FARMERS HOME ADMINISTRATION

COMMUNITY FACILITY LOANS, NUMBERS OF LOANS AND DOLLARS LENT



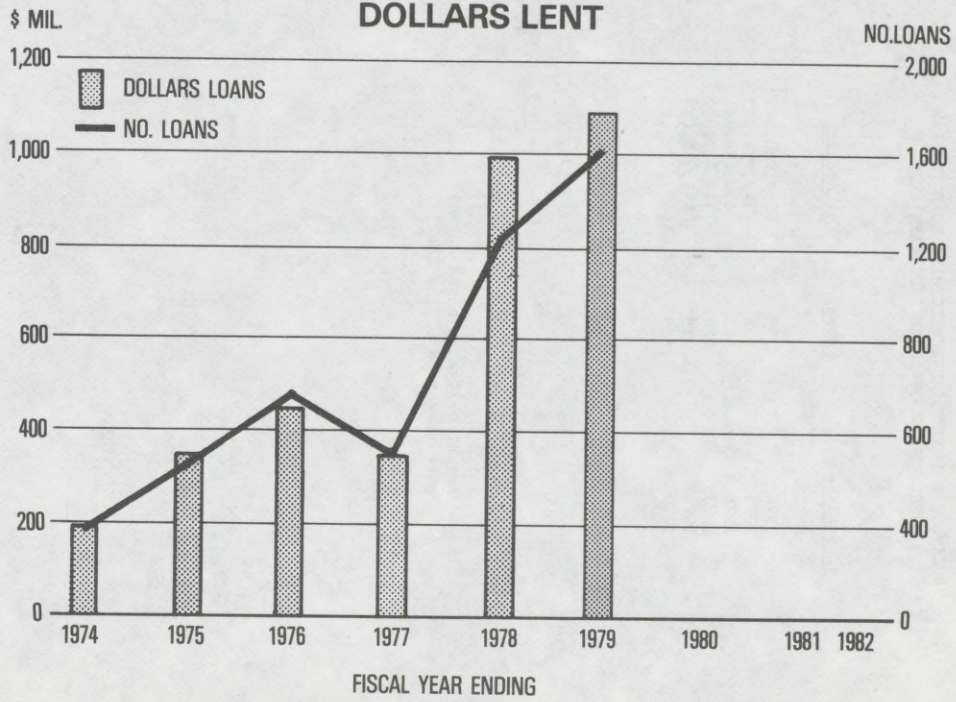
COMMUNITY FACILITY LOAN PROGRAM
TOTAL NUMBER OF LOANS & DOLLARS LENT

Fiscal Year	Number	Amount
1974	102	49,830,700
1975	359	199,998,000
1976 & T.Q.	485	249,995,600
1977	382	199,980,800
1978	447	249,997,000
1979	615	246,998,620

MIS Division

FARMERS HOME ADMINISTRATION

BUSINESS AND INDUSTRIAL LOANS, NUMBER OF LOANS DOLLARS LENT



BUSINESS & INDUSTRIAL DEVELOPMENT LOAN PROGRAM
TOTAL NUMBER OF LOANS & DOLLARS LENT

Fiscal Year	Number	Amount
1974	399	$199,980,545
1975	538	349,994,173
1976 & T.Q.	663	437,498,741
1977	584	349,987,010
1978	1,213	999,978,030
1979	1,609	1,097,376,903

a/ Amount obligated based on 90% guarantee rate of the loan.

MIS Division

FmHA STATE OFFICE LOCATIONS

ALABAMA
Room 717 Aronov Building
474 South Court Street
Montgomery, Alabama 36104

ALASKA
Post office Box 1289
Palmer, Alaska 99645

ARIZONA
Room 3433 Federal Building
230 North First Avenue
Phoenix, Arizona 85025

ARKANSAS
5529 Federal Office Building
700 West Capitol
Little Rock, Arkansas 72201

CALIFORNIA
459 Cleveland Street
Woodland, California 95695

COLORADO
Room 231, #1 Diamond Plaza
2490 West 26th Avenue
Denver, Colorado 80211

DELAWARE, DISTRICT OF COLUMBIA, MARYLAND
Robscott Building
151 East Chestnut Hill Road,
Suite 2
Newark, Delaware 19713

FLORIDA
Room 214, Federal Building
401 S.E. 1st Avenue
Gainesville, Florida 32602

GEORGIA
355 East Hancock Avenue
Stephens Federal Building
Athens, Georgia 30601

HAWAII
345 Kekuanaoa Street
Hilo, Hawaii 96720

IDAHO
Room 429, Federal Building
304 N. Eighth Street
Boise, Idaho 83702

ILLINOIS
2106 W. Springfield Avenue
Champaign, Illinois 61820

INDIANA
Suite 1700
5600 Crawforsville Road
Indianapolis, Indiana 46224

IOWA
Room 873, Federal Building
210 Walnut
Des Moines, Iowa 50309

KANSAS
444 SE Quincy Street
Topeka, Kansas 66683

KENTUCKY
333 Waller Avenue
Lexington, Kentucky 40504

LOUISIANA
3727 Government Street
Alexandria, Louisiana 71301

MAINE
USDA Office Building
Orono, Maine 04473

MASSACHUSETTS, CONNECTICUT, RHODE ISLAND
358 North Pleasant Street
Amherst, Massachusetts 01002

MICHIGAN
Room 209
1405 South Harrison Road
East Lansing, Michigan 48823

MINNESOTA
252 Federal Office Building &
U.S. Courthouse
St. Paul, Minnesota 55101

MISSISSIPPI
Room 830 Milner Building
Jackson, Mississippi 39201

MISSOURI
555 Vandiver Drive
Columbia, Missouri 65201

MONTANA
Federal Building
P.O. Box 850
Bozeman, Montana 59715

NEBRASKA
Room 308 Federal Building
100 Centennial Mall North
Lincoln, Nebraska 68508

NEW JERSEY
1 Vahlsing Center
Robbinsville, New Jersey 08691

NEW MEXICO
Room 3414, Federal Building
517 Gold Avenue, S.W.
Albuquerque, New Mexico 87102

NEW YORK, VIRGIN ISLANDS
Room 871
U.S. Courthouse & Federal Building
100 South Clinton Street
Syracuse, New York 13202

NORTH CAROLINA
Room 514
310 New Bern Avenue
Raleigh, North Carolina 27601

NORTH DAKOTA
Room 208, Federal Building
Third and Rosser
Bismarck, North Dakota 58501

OHIO
Federal Building, Room 507
200 North High Street
Columbus, Ohio 43215

OKLAHOMA
USDA Agricultural Center Bldg.
Stillwater, Oklahoma 74074

OREGON
Federal Building, Room 1590
1220 S.W. 3rd Avenue
Portland, Oregon 97204

PENNSYLVANIA
Federal Building, Room 728
228 Walnut Street
P.O. Box 905
Harrisburg, Pennsylvania 17108

PUERTO RICO
Federal Building
Carlos Chardon Street
Hato Rey
San Juan, Puerto Rico 00918

SOUTH CAROLINA
240 Stoneridge Road
Columbia, South Carolina 29221

SOUTH DAKOTA
Huron Federal Building
200 4th Street, S.W.
Room 208
Huron, South Dakota 57350

TENNESSEE
538 U.S. Court House Building
801 Broadway
Nashville, Tennessee 37203

TEXAS
W. R. Poage Building
101 South Main
Temple, Texas 76501

UTAH, NEVADA
Room 5311 Federal Building
125 South State Street
Salt Lake City, Utah 84138

VERMONT, NEW HAMPSHIRE
141 Main Street
Post Office Box 588
Montpelier, Vermont 05602

VIRGINIA
Room 8213, Federal Building
400 North Eighth Street
Richmond, Virginia 23240

WASHINGTON
Room 319, Federal Office Bldg.
301 Yakima Street
Wenatchee, Washington 98801

WEST VIRGINIA
Room 320, Federal Building
75 High Street
Morgantown, West Virginia 26505

WISCONSIN
Suite 209, 1st Financial Plaza
1305 Main Street
Stevens Point, Wisconsin 54481

WYOMING
Room 1005
Federal Building
100 East B Street
Casper, Wyoming 82601

NATIONAL OFFICE
U.S. Department of Agriculture
Farmers Home Administration
Washington, DC 20250

FARMERS HOME ADMINISTRATION

Purpose Statement

The Farmers Home Administration was established November 1, 1946, by the Farmers Home Administration Act of 1946. Farmers Home Administration's program activities include:

FARMER PROGRAMS:

Farm ownership loans - are made to borrowers who cannot obtain credit elsewhere to improve or purchase farms, refinance debts, finance nonfarm enterprises or make additions to farms. Insured loans are currently made at 10.00 percent except for low-income, limited resource borrowers who may be charged interest at a rate not more than 6 percent. The interest rate for guaranteed loans is negotiated by the lender and the borrower.

Operating loans - this program provides short-to-intermediate term production or chattel credit to farmers who cannot obtain credit elsewhere. Loan terms include a repayment period not to exceed 7 years but renewable for up to 7 additional years. The borrower is currently charged a 10.50 percent interest rate for insured loans except for low-income, limited resource borrowers who may be charged interest at 6 percent. The interest rate for guaranteed loans is negotiated by the lender and the borrower.

Emergency disaster loans - these loans are made to farmers in designated disaster areas (Presidentially declared and state director authorized) to restore production. The actual loss rate for disasters occurring through September 30, 1978 is 3 percent on a loan amount not to exceed $250,000. The actual loss rate for disasters occurring on or after October 1, 1978 is 5 percent. Loans for other than actual losses are made at the cost of money. Currently, guaranteed loans are made at an interest rate determined by the Secretary.

Emergency livestock loans - this program provided temporary emergency financing through guaranteed loans to bona fide farmers and ranchers who were primarily and directly engaged in livestock operations. Loan terms were agreed upon between the borrower and the lender. The statutory period for guaranteed loans under the emergency livestock program expired September 30, 1979.

Economic emergency loans - these loans are made to farmers and ranchers who are primarily and directly engaged in agricultural production. Loans for operating purposes are currently made at a 10.50 percent interest rate and are repayable in 7 years and can be extended but not for more than 20 years. Loans for real estate purposes are currently made at a 10.00 percent interest rate and will be repaid in not more than 40 years. The guaranteed loan interest rate will be negotiated between the lender and the borrower. The law determining and authorizing economic emergency loans expires May 15, 1980.

Soil and water loans - loans are made to associations, farmers, ranchers and non-operator owners for land and water development, use and conservation. Loans are repayable in not more than 40 years. Insured loans currently bear interest of 10.00 percent and guaranteed loans bear an interest rate negotiated by the lender and the borrower.

Irrigation and drainage loans - these loans are made to organizations primarily composed of farmers, ranchers, certain Indian tribes, and other rural residents for projects which include the application or establishment of soil conservation practices; the construction, improvement, or enlargement of facilities for drainage and the conservation, development, use or control of water, primarily serving farmers and other rural residents. These loans currently bear an interest rate of 10.00 percent and a 40 year repayment.

Grazing loans - these loans are made to associations of 3 or more ranchers for the purchase of grazing land to permit expansion of herds. The interest rate is currently 10.00 percent and a 40 year repayment.

Indian tribe land acquisition loans - loans are made to qualified Indian tribes or tribal corporations to acquire land or interests in land within the tribes' reservation or Alaskan community, as determined by the Secretary of the Interior. The tribe is currently charged a 10 percent interest rate except those tribes that are unable to pay the higher rate, as determined by FmHA after review of their financial condition, may be charged interest at a rate not more than 6 percent. Loans are repayable in not more than 40 years.

Recreation loans - loans are made to farmers and ranchers for converting all or a portion of the farm or ranches they own or operate to outdoor income-producing recreation enterprises which will supplement or supplant farm income and permit carrying on sound and successful operations. Loans are repayable in not more than 40 years and currently bear interest of 10.00 percent.

HOUSING PROGRAMS:

Subsidized housing loans - are made to repair or purchase new or existing individual housing. Low and moderate income families meeting certain criteria may qualify for interest credits to reduce the effective interest rate for the borrower to as low as 1 percent. Loans are repayable over a 33 year period.

Unsubsidized housing loans - insured loans are made to repair or purchase new or existing individual housing in rural areas for persons of moderate income and low income persons who do not qualify for subsidized credit. The interest rate currently is 10.00 percent and the term repayment is 33 years.

Guaranteed unsubsidized housing loans - FmHA may guarantee loans made by lenders to eligible above moderate-income applicants to obtain adequate but modest housing in rural areas. Loans are repayable over a 33 year period and are made at an interest rate negotiated between the borrower and the local lender.

Rural rental and cooperative housing loans - insured loans are made to individuals, corporations, associations, state or local public agencies, trusts, or partnerships to provide moderate cost rental or cooperative housing and related facilities for elderly persons and other persons of low or moderate income in rural areas. These loans are repayable in not more the 50 years, and currently are made at an interest rate of 10.00 percent with provisions for interest reductions under certain circumstances. These loans, with the exception of loans to state or local public agencies, are made only if the need for necessary housing cannot be met with financial assistance from other sources.

Rental assistance payments - are made to owners of rental projects to reduce the rents paid by low-income tenants to no more than 25% of their adjusted incomes. The payments make up the difference between the tenant's payment and the approved rental rate established for the unit.

Very low-income housing repair loans - direct repair and improvement loans up to $7,500 are made at one percent interest rate for not more than 20 years to very low-income families who are owners of farms or nonfarm rural property to repair or improve their dwellings in order to make them safe and sanitary or to remove health hazards to the families or the community.

Very low-income housing repair grants - repair and improvement grants up to an amount of $5,000 are made to very low-income persons who are unable to repay a loan, to make necessary repairs to their dwellings in order to make them safe and remove health hazards to the families or the community.

Farm labor housing loans - are made to farm owners to public or private nonprofit organizations, or to nonprofit organizations of farmworkers to provide modest living quarters, basic household furnishing, and related facilities, including land necessary for an adequate site, for domestic farm labor. These loans are repayable in not more than 33 years and bear interest not in excess of 1 percent except under certain circumstances when the interest rate limitation may be waived by the Secretary in order to provide housing and related facilities for migrant domestic farm laborers. Loans to organizations may be made simultaneously with farm labor housing grants.

Farm labor housing grants - are made to public or broad-based private nonprofit organizations, State or political subdivisions, or nonprofit organizations of farmworkers for domestic farm labor. Grant assistance, not to exceed 90 percent of the total development costs, is provided for new structure or rehabilitation of existing buildings suitable for dwelling use by domestic farm labor. Funds also may be used for essential related facilities such as dining halls, community rooms or buildings, infirmaries or other essential services, including basic household furnishing. These grants may be made simultaneously with farm labor housing loans.

Site development loans - are made for purchase and development of land to be subdivided into building sites and sold on a nonprofit basis to low-income families or to organizations for rental or cooperative housing. Insured loans are made currently at 10.00 percent interest rate for a 2-year period.

Mutual and self-help housing grants - are especially designed to aid the development of mutual or self-help housing programs under which groups of families build their own homes by mutually exchanging labor. Grants are used to provide technical and supervisory assistance to families who build their homes by the self-help method.

Self-help site development loans - direct site loans are made at 3 percent interest for a 2 year period to develop building sites for sale in connection with self-help projects.

Rural housing supervisory assistance grants - can be made to public or private nonprofit corporations, agencies, institutions or organizations to pay all or part of the cost of developing, conducting administering or coordinating comprehensive programs of technical and supervisory assistance which will aid needy low-income individuals and families in benefiting from Federal, State, and local housing programs in rural areas.

Compensation of construction defects - these payments are made to eligible Section 502 borrowers as a reimbursement of actual costs incurred in making structural repairs on newly constructed dwellings built or purchased as approved by the Agency. The assistance should be requested by the owner of the property within 36 months after closing of the loan under Section 502. The builder would continue to bear primary responsibility under his contract to assure that the dwelling meets acceptable standards. Claims for payments under this program are considered only after every effort has been made to gain full recourse under the builder's warrant.

Home ownership assistance program (HOAP) - Low and very-low income rural residents who lack repayment ability under the interest credit program may receive an additional subsidy in the form of home ownership assistance. This program allows borrowers to obtain and reside in dwellings while contributing no greater than 25% of their adjusted income towards the home ownership expenses of principal, interest, taxes, insurance, utilities, and maintenance. The Government subsidizes the difference between these housing costs and the borrowers contribution. When the borrower sells the home or ceases occupancy for any other reason, the subsidies granted both in the form of interest credit and HOAP, will be subject to recapture by the Government. The recapture formula provides that the appreciation in the value of the dwelling during the borrower's period of ownership be returned in part to the Government to the extent that subsidies have been granted over the ownership period.

COMMUNITY PROGRAMS:

Community facilities loans - loans are authorized to public, quasi-public, and nonprofit associations and to certain Indian tribes for essential community facilities including necessary related equipment. Loans are repayable in not more than 40 years and bear interest not in excess of 5 percent.

Water and waste disposal loans - loans are authorized to public, quasi-public, and nonprofit associations and to certain Indian tribes primarily for replacement of up-grading or water systems and waste disposal systems. These loans are made at 5 percent interest rate for not more than 40 years.

Water and waste disposal grants - development grants are authorized to be made to public, quasi-public, and nonprofit associations and to certain Indian tribes for the development, storage, treatment, purification, and distribtuion of domestic water or the collection, treatment, or disposal of waste in rural areas. Grants may not exceed 75 percent of the development costs of the projects and supplement other funds borrowed or furnished by applicants to pay development costs.

Business and industrial loans - loans are authorized to public, private, or cooperative associations organized for profit or nonprofit, to certain Indian tribes or tribal groups, or to individuals for the purpose of improving, developing, or financing business, industry, and employment and improving the economic and environmental climate in rural communities. These loans are made at 11 5/8 percent if insured, and at rates agreed upon by borrower and lender if guaranteed.

Rural development grants - are made to public bodies for the development of industrial facilities including land, buildings, equipment, and supporting facilities.

Rural development planning grants - grants are made to public bodies or other agencies designated by the Secretary of Agriculture for the purpose of preparing comprehensive plans for rural development.

Watershed works of improvement and flood prevention loans - made to sponsors of projects approved for operation by the Soil Conservation Service. Loans are made to local organizations for installing, repairing, or improving watersheds and water storage facilities, purchasing sites of rights-of-way, and for related costs. These loans are repayable in not more than 50 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. The rate for the 1980 fiscal year is 7.210 percent. Total loans outstanding on any one project may not exceed $10,000,000.

Resource conservation and development loans - are made to sponsors of projects approved for operation by the Soil Conservation Service. Loans are made to local organizations and individuals for planned conservation measures and works of improvement as specified in approved work plans. These loans are repayable in not more than 30 years, with repayment of principal and interest deferred up to 5 years, if necessary. Loans bear interest at a rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. The rate for the 1980 fiscal year is 7.210 percent.

Energy impact area assistance grants - grants are made to areas designated by the Governor of a State and approved by the Secretary of Energy to contribute to the development of areas impacted by coal or uranium development activities. The grants provide assistance for the development of growth management and housing plans, public facilities, and services. Funds are transferred from the Department of Energy.

Other Rural Development Grants - grants are provided from funds transferred from other agencies such as the Appalachian Regional Commission and the Economic Development Administration for cooperative efforts in rural development. The funded projects focus on basic needed facilities and planning essential to economic development.

General - In fiscal year 1980, the budgeted lending program will be comprised of insured and guaranteed loans. The term "insured" is defined as loans made from the revolving funds, which are held in a pool as security for certificates of beneficial ownership sold to investors. The purchaser's investment is fully insured by the Government against any loss of either principal or interest. The Rural Development Act of 1972 authorized financial assistance to be provided to borrowers by guaranteeing loans made by a Federal or State chartered bank, savings and loan association, cooperative lending agency, or other legally organized lending agency. The term "guarantee" is defined as "to guarantee the payment of a loan originated, held, and serviced by a private financial agency or other lender approved by the Secretary." Technical guidance in planning and carrying out sound operations is provided borrowers on the basis of their individual problems and needs. No loan is made to anyone who can secure adequate credit from other sources at reasonable rates, except for business and industrial loans and in certain cases of emergency disasters. A local county or area committee is generally required to certify eligibility of each applicant and in the case of emergency loans the amount of each loan.

On October 1, 1979, FmHA was servicing the accounts of about 1,250,000 individual borrowers and 15,000 association borrowers with principal indebtedness of more than $37,300,000,000. Under the program direction of the Washington headquarters, the service was provided through 46 State Offices, a National Finance Office in St. Louis, Missouri, and approximately 2,240 district and county offices utilizing the services of about 3,000 supervisors and 6,000 local committeemen. As of September 30, 1979, there were 10,991 employees, of which 7,937 were full-time employees in permanent positions. Of these, 420 PFT and 59 other were based in Washington and 7,517 PFT and 2,995 other were in the field.

Available Funds and Staff Years, 1979 and Estimated 1980 and 1981

(Note: The following table reflects obligations under revolving funds, appropriations, and transfers from other agencies.)

Item	Actual 1979		Estimated Available 1980		Budget Estimate 1981	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Farmers Home Administration						
Rural Housing insurance fund:						
Direct housing loans	$24,000,000	--	$24,000,000	--	$50,000,000	--
Permanent appropriation for insufficiencies on participation sales	455,000	--	--	--	--	--
Reimbursement for interest subsidies and losses	320,192,000	--	320,209,000	--	504,318,000	--
Rural rental assistance reimbursement	46,861,000	--	76,150,000		110,000,000	--
Homeownership assistance program reimbursement	--	--	--	--	1,000,000	--
Permanent authority to borrow	454,793,000	--	1,912,169,000	--	--	--
Subtotal, rural housing insurance fund	846,301,000	--	2,332,528,000	--	665,318,000	--
Agricultural credit insurance fund:						
Reimbursement for interest subsidies and losses	143,565,000	--	272,809,000	--	297,032,000	--
Permanent authority to borrow	988,867,000	--	--	--	--	--
Subtotal, agricultural credit insurance fund	1,132,432,000	--	272,809,000	--	297,032,000	--
Rural development insurance fund:						
Reimbursement for interest subsidies and losses	102,276,000	--	91,874,000	--	143,282,000	--
Permanent authority to borrow	400,094,000	--	39,119,000	--	--	--
Subtotal, rural development insurance fund	502,370,000	--	130,993,000	--	143,282,000	--
Rural water and waste disposal grants	282,500,000	--	300,000,000	--	284,000,000	--
Rural development planning grants	5,000,000	--	7,000,000	--	5,000,000	--
Rural development grants	10,000,000	--	10,000,000	--	10,000,000	--
Rural community fire protection grants	3,500,000	--	3,500,000	--	--	--
Rural housing grants for domestic farm labor	33,000,000	--	25,000,000	--	25,000,000	--
Mutual and self-help housing grants	13,500,000	--	5,000,000	--	--	--
Section 525 supervisory assistance grants	2,500,000	--	1,500,000	--	2,000,000	--
Very low income housing repair grants	19,000,000	--	24,000,000	--	25,000,000	--
Salaries and Expenses:						
Direct appropriation	225,144,000	9,289	239,490,000	9,571	246,677,000	9,530
Transfer from ACIF	500,000		500,000		500,000	
Transfer from RHIF	--		3,000,000		3,000,000	
Subtotal, salaries and expenses	225,644,000	9,289	242,990,000	9,571	250,177,000	9,530
Total	3,075,747,000	9,289	3,355,320,000	9,571	1,706,809,000	9,530

Available Funds and Staff Years, 1979 and Estimated 1980 and 1981 - Continued

Item	Actual 1979		Estimated Available 1980		Budget Estimate 1981	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Other obligations under Farmers Home Administration accounts:						
Agricultural credit insurance fund (emergency loan programs administrative funds)	$29,480,303	1,498	$33,945,000	1,644	$26,782,000	1,294
Obligations under other USDA appropriations:						
Soil Conservation Service:						
Watershed protection & flood prevention	585,000	29	631,000	29	642,000	29
Resource conservation and development	207,000	10	200,000	10	200,000	9
Total, Soil Conservation Service	792,000	39	831,000	39	842,000	38
Miscellaneous reimbursements:						
Agricultural Service Centers	351,740	--	375,000	--	375,000	--
Total, Agricultural Appropriations g/	3,106,371,043	10,826	3,390,471,000	11,254	1,734,808,000	10,862
Other Federal Funds:						
Other program funds from Federal sources:						
Regional Development Program Grants	6,723,130	--	6,000,000	--	6,000,000	--
Appalachia Regional Development Program Grants	45,756,370	--	25,680,000	--	25,780,000	--
Economic Development Administration Grants	4,747,500	--	3,320,000	--	3,220,000	--
Department of Energy Grants	19,442,000	--	48,500,000	--	116,800,000	--
Total, other program funds	79,669,000	--	83,500,000	--	151,800,000	--
Other administrative funds from Federal sources:						
Agency for International Development	49,653	1	53,000	1	53,000	1
Appalachia Regional Conservation Program and Economic Development Administration	113,721	5	120,000	5	120,000	5
Bureau of Reclamation Teton Dam Disaster	15,307	1	--	--	--	--
Department of Energy	170,000	9	1,400,000	55	2,000,000	75
Training for CETA Employees	5,883	--	10,000	--	10,000	--
Sale of Property through GSA	9,197	--	10,000	--	10,000	--
Miscellaneous Receipts (jury duty, etc.)	7,575	--	8,000	--	8,000	--
Total, other administrative funds	371,336	16	1,601,000	61	2,201,000	81
Total, Other funds	77,040,336	16	85,101,000	61	154,001,000	81
Total, Farmers Home Administration	3,183,411,379	10,842	3,475,572,000	11,315	1,888,809,000	10,943

Available Funds and Staff Years, 1979 and Estimated 1980 and 1981 - Continued

	1979 Actual	1980 Estimated	1981 Estimated
End-of-year Employment:			
Permanent full-time	7,937	8,364	8,364
Other	3,054	3,700	3,700
Total	10,991	12,064	12,064

a/ In addition, $9,773,991 of recoveries and unobligated balances from prior year appropriations was available in 1979.
b/ In addition, $673,991 of unobligated balances is available in 1980.
c/ In addition, $572,140 of unobligated balances is available in 1980.
d/ In addition, $16,643,817 of unobligated balances from prior year appropriations was available in 1979.
e/ In addition, $9,728,578 of unobligated balances is available in 1980.
f/ It is anticipated that $15,000,000 of unobligated balances from prior year appropriations will be available in 1981 pursuant to a deferral proposal.
g/ Excludes direct, insured and guaranteed loans as follows:

	1979 Actual	1980 Estimated	1981 Estimated
Self-Help Land Development Fund	$1,724,460	$1,000,000	$5,000,000
Agricultural Credit Insurance Fund	7,712,164,010	5,454,600,000	3,848,600,000
Rural Housing Insurance Fund	3,787,644,210	4,479,000,000	3,947,600,000
Rural Development Insurance Fund	2,249,967,439	2,016,000,000	1,876,000,000
Total, Loans	13,751,500,119	11,950,600,000	9,677,200,000

FARMERS HOME ADMINISTRATION

Permanent Positions by Grade and Staff-Year Summary

1979 and Estimated 1980 and 1981

Grade	1979			1980			1981		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
Executive Level V	1	--	1	1	--	1	1	--	1
ES-6	1	--	1	1	--	1	1	--	1
ES-5	4	--	4	4	--	4	4	--	4
ES-4	7	1	8	7	1	8	7	1	8
ES-3	--	--	--	1	--	1	1	--	1
ES-1	--	--	--	5	--	5	5	--	5
GS-15	40	48	88	34	48	82	34	48	82
GS-14	70	21	91	70	21	91	70	21	91
GS-13	85	225	310	85	425	510	85	525	610
GS-12	49	873	911	59	738	797	59	1,088	1,147
GS-11	22	1,828	1,850	32	1,868	1,900	32	1,418	1,450
GS-10	1	1	2	1	1	2	1	1	2
GS-9	25	880	905	30	935	965	30	935	965
GS-8	15	124	139	16	130	146	16	130	146
GS-7	41	552	593	47	586	633	47	586	633
GS-6	37	331	368	40	568	608	40	768	808
GS-5	28	2,132	2,160	33	2,057	2,090	33	1,857	1,890
GS-4	27	606	633	32	641	673	32	641	673
GS-3	8	310	318	10	330	340	10	330	340
GS-2	3	27	30	5	30	35	5	30	35
GS-1	--	2	2	--	2	2	--	2	2
Other Graded Positions	1	--	1	1	--	1	1	--	1
Ungraded Positions	1	12	13	1	12	13	1	12	13
Total Permanent Positions	466	7,973	8,439	515	8,393	8,908	515	8,393	8,908
Staff-Years:									
Permanent Full Time	440	7,640	8,080	480	8,060	8,540	480	7,836	8,316
Other	42	2,720	2,762	40	2,735	2,775	40	2,587	2,627
TOTAL 1/	482	10,360	10,842	520	10,795	11,315	520	10,423	10,943

1/ Staff-Years of overtime included: 1979, 153; 1980, 150; 1981, 142.

FARMERS HOME ADMINISTRATION

CLASSIFICATION BY OBJECTS

1979 and Estimated 1980 and 1981

	1979	1980	1981
Personnel Compensation:			
Headquarters	$11,511,031	$13,494,000	$13,513,000
Field	157,765,871	177,391,000	172,276,000
11 Total personnel compensation	169,276,902	190,885,000	185,789,000
Other Objects:			
12 Personnel benefits	18,436,318	19,888,000	19,339,000
13 Benefits for former personnel	64,161	100,000	100,000
21 Travel	14,207,630	15,327,000	15,885,000
22 Transportation of things	960,273	949,000	916,000
23 Rent and utility services	14,417,272	16,868,000	18,056,000
Communication services	12,402,759	14,510,000	15,525,000
24 Printing and reproduction	2,541,406	2,753,000	3,185,000
25 Other services	38,185,625	45,711,000	52,826,000
26 Supplies and materials	2,468,039	2,782,000	2,403,000
31 Equipment	4,895,310	3,451,000	4,302,000
33 Investments and loans	13,793,054,460	14,896,344,000	13,248,038,000
41 Grants, subsidies and contributions	388,365,545	466,124,709	479,000,000
42 Insurance claims and indemnities	395,322	5,010,000	5,010,000
43 Interest and dividends	2,647,468,000	3,484,658,000	4,124,872,000
Interest on participation certificates	19,212,000	19,212,000	19,212,000
44 Refunds	191,344,000	156,500,000	136,000,000
94 Change in selected resources	964,315,000	341,721,000	197,249,000
Total other objects	18,112,733,120	19,491,908,709	18,341,918,000
Total obligations	18,282,010,022	19,682,793,709	18,527,707,000
Position Data:			
Average Salary, GS positions	$17,373	$18,590	$18,770
Average Grade, GS positions	8.09	8.09	8.17

FARMERS HOME ADMINISTRATION

Number and Amount of Obligations for All Loan and Grant Programs
(Dollars in Thousands)

Type of Loan or Grant	1979 Actual		1980 Estimate		1981 Estimate	
	Number	Amount	Number	Amount	Number	Amount
Rural Housing Insurance Fund:						
Low-Income Housing Assistance:						
Subsidized Loans:						
Repair Loans (Section 504)	5,651	$14,710	8,500	$24,000	16,000	$50,000
General purpose loans (Section 502)	74,589	2,006,998	76,500	2,220,000	73,700	2,300,000
Domestic farm labor loans (Section 514)	254	36,329	190	30,000	150	25,600
Rental or cooperative loans (Section 515)	1,540	821,606	1,404	820,000	1,287	820,000
Unsubsidized Loans:						
General purpose loans (Section 502)	4,277	52,795	2,800	35,000	--	--
Site loans (Section 524)	11	2,158	3	700	24	5,000
Moderate-Income Housing Assistance:						
Unsubsidized Loans:						
General purpose loans (Section 502)	31,516	806,500	30,300	820,000	16,700	467,000
Weatherization loans made through REA Coops	796	704	5,100	5,000	4,700	5,000
Rental or cooperative loans (Section 515)	105	47,903	96	48,000	88	48,000
Site loans (Section 524)	5	800	2	300	10	2,000
Above Moderate-Income Housing Assistance:						
Unsubsidized loans:						
General purpose loans - guaranteed (Section 502)	377	11,852	14,600	500,000	7,400	275,000
Subtotal, Rural Housing Insurance Fund	119,121	3,802,355	139,495	4,503,000	120,059	3,997,600
Self-Help Housing Land Development Fund:						
Mutual and self-help housing site development loans (Section 523)	10	1,724	5	1,000	24	3,000

FARMERS HOME ADMINISTRATION

Number and Amount of Obligations for All Loan and Grant Programs - Continued
(Dollars in Thousands)

Type of Loan or Grant	1979 Actual		1980 Estimate		1981 Estimate	
	Number	Amount	Number	Amount	Number	Amount
Agricultural Credit Insurance Fund:						
Farm ownership loans	12,568	$763,165	12,800	$870,000	11,425	$870,000
Farm operating loans	37,942	894,754	33,720	875,000	30,650	875,000
Recreation loans to individuals	29	2,196	28	2,400	25	2,400
Emergency loans	62,913	2,871,642	49,800	2,500,000	36,230	2,000,000
Emergency livestock loans	97	19,035	--	--	--	--
Economic emergency loans	47,302	3,089,486	15,300	1,100,000	--	--
Soil and water loans to individuals	2,500	51,479	2,340	53,100	2,130	53,100
Association loans:						
Irrigation and drainage	5	637	53	7,400	48	7,400
Grazing	5	2,074	10	4,800	9	4,800
Indian tribe land acquisition	7	11,000	7	11,900	6	11,900
Soil Conservation Service Loans:						
Watershed protection loans	5	4,818	23	25,600	16	19,600
Flood prevention loans	--	--	4	400	4	400
Resource conservation and development loans	10	1,878	19	4,000	17	4,000
Subtotal, Agricultural Credit Insurance Fund	163,383	7,712,164	114,104	5,454,600	80,560	3,848,600
Rural Development Insurance Fund						
Water and waste disposal loans	1,802	900,000	1,307	700,000	1,219	700,000
Community facility loans 1/	615	246,999	557	240,000	520	240,000
Business and industry loans 2/	1,609	1,097,377	1,547	1,076,000	1,337	936,000
Subtotal, Rural Development Insurance Fund	4,026	2,244,376	3,411	2,016,000	3,076	1,876,000
TOTAL LOANS	286,540	13,760,619	257,015	11,974,600	203,719	9,727,200

FARMERS HOME ADMINISTRATION

Number and Amount of Obligations for All Loan and Grant Programs - Continued
(Dollars in Thousands)

Type of Loan or Grant	1979 Actual		1980 Estimate		1981 Estimate	
	Number	Amount	Number	Amount	Number	Amount
Rural Development Grant Programs:						
Water and waste disposal grants	1,066	$291,600	1,025	$300,674	903	$284,000
Rural development (Business and industrial) grants	176	10,000	164	10,000	153	10,000
Rural development planning grants	169	5,000	215	7,000	140	5,000
Subtotal, Rural Development Grant Programs	1,411	306,600	1,404	317,674	1,196	299,000
Rural Housing Grant Programs:						
Domestic farm labor grants	36	32,428	25	25,572	23	25,000
Mutual and self-help housing grants	36	5,629	87	14,729	81	15,000
Very low-income housing repair grants	6,842	19,000	8,000	24,000	7,535	25,000
Supervisory assistance grants	25	2,500	14	1,500	17	2,000
Subtotal, Rural Housing Grant Programs	6,939	59,557	8,126	65,801	7,656	67,000
Other Rural Housing Assistance Programs:						
Rental assistance payments	2,066	422,955	1,820	393,000	1,565	393,000
Home ownership assistance payments 3/	--	--	--	--	910	100,000
Subtotal, Other Rural Housing Assistance Programs	2,066	422,955	1,820	393,000	2,475	493,000
Other Programs:						
Energy Impacted Area Assistance Grants	147	18,712	346	48,500	758	116,800
Appalachian Regional Commission Grants	89	23,273	93	25,680	93	25,780
Department of Commerce Grants	66	5,172	72	6,000	72	6,000
Economic Development Administration Grants	8	4,748	5	3,320	5	3,220
TOTAL GRANTS AND OTHER HOUSING ASSISTANCE 4/	10,726	841,017	11,866	859,975	12,255	1,010,800
GRAND TOTAL, LOANS, GRANTS, AND OTHER HOUSING ASSISTANCE	297,266	14,601,635	268,881	12,834,575	215,974	10,738,000

FARMERS HOME ADMINISTRATION

Number and Amount of Obligations for All Loan and Grant Programs - Continued

FOOTNOTES:

1/ Excludes amounts for transfer to REA for cable TV loans as follows: $3,000,000 in FY 1979 and $10,000,000 in FY 1980.

2/ Excludes amounts for transfer to REA for cable TV loans as follows: $2,592,000 in FY 1979 and $24,000,000 in FY 1980.

3/ The amounts shown for the home ownership assistance program (HOAP) and the rental assistance program reflect the full cost of the programs over the maximum term of the agreements. Actual first year costs of the programs are expected to be approximately $1,000,000 for HOAP and $21,986,000 for rental assistance.

4/ Excludes Rural Community Fire Protection grants administered by the Forest Service, as follows: 1979 - 3,326 grants, $3,496,000; 1980 - 3,315 grants, $3,500,000; 1981 - no program.

FARMERS HOME ADMINISTRATION
Comparison of Loan Delinquency Rates
(Dollars in Thousands)

Loan Type & Fund	September 30, 1978					September 30, 1979				
	All Borrowers		Borrowers Delinquent			All Borrowers		Borrowers Delinquent		
	Number	Amount of Loans Outstanding	Number	% of All	Amount Delinquent	Number	Amount of Loans Outstanding	Number	% of All	Amount Delinquent
Agricultural Credit Insurance Fund:										
Individual Loans:										
Farm ownership 1/	111,738	$3,561,797	7,741	7	$35,248	114,506	$4,072,092	6,939	6	$34,915
Farm operating	81,527	1,444,097	15,247	19	122,788	79,650	1,615,099	15,020	19	137,938
Recreation	224	10,489	31	14	259	236	12,301	32	14	341
Emergency Disaster	84,369	4,505,323	7,620	9	98,690	94,518	6,415,613	10,934	12	189,708
Other Real Estate	255	6,578	26	10	510	218	5,101	23	11	443
Soil and Water	12,743	170,255	762	6	1,139	14,288	212,271	823	6	1,553
Association Loans:										
Irrigation and drainage	234	13,240	11	5	118	232	18,169	10	4	249
Grazing	330	78,371	19	6	562	312	75,034	11	4	311
Recreation	702	84,649	78	11	2,573	696	83,132	74	11	2,989
Indian Tribe Land Acquisition	25	50,845	--	--	--	25	55,661	1	4	73
Soil Conservation Service Loans:										
Watershed protection and flood prevention	273	67,550	10	4	329	278	70,322	15	5	637
Resource conservation and development	130	12,942	11	8	181	135	13,274	8	6	239
Total, ACIF 4/	292,550	10,006,136	31,556	11	262,397	305,094	12,648,069	33,890	11	369,396
Rural Housing Insurance Fund:										
Low to Moderate-Income Housing Loans:										
Repair (Section 504)	20,590	30,725	2,748	13	394	22,896	39,088	3,146	14	441
General Purpose (Section 502):										
Interest credit	285,059	5,974,175	68,946	24	25,049	310,189	7,088,673	73,652	24	31,966
Non-interest credit	538,756	7,781,409	106,576	20	64,672	557,235	8,478,600	109,035	20	77,866
Above moderate-income housing loans (Section 502)	9,368	99,474	1,256	13	658	9,239	99,622	1,261	14	800

Comparison of Loan Delinquency Rates (Continued)

Loan Type & Fund	September 30, 1978					September 30, 1979				
	All Borrowers		Borrowers Delinquent			All Borrowers		Borrowers Delinquent		
	Number	Amount of Loans Outstanding	Number	% of All	Amount Delinquent	Number	Amount of Loans Outstanding	Number	% of All	Amount Delinquent
Domestic farm labor loans (Section 514)	506	$40,542	20	4	$947	657	$49,614	20	3	$995
Rental or cooperative loans (Section 515)	5,006	1,369,615	311	6	3,715	6,077	2,120,687	352	6	6,243
Site Loans (Section 523 & 524) 2/	44	4,481	5	11	309	49	5,378	8	16	1,565
Total, RHIF 4/	859,329	15,300,421	179,862	21	95,744	906,342	17,881,662	187,474	21	119,876
Rural Development Insurance Fund:										
Community Facilities Loans:										
Water and waste disposal	8,898	2,908,602	287	3	8,292	9,701	3,451,399	333	3	9,429
Other community facilities	931	463,623	19	2	872	1,294	618,023	38	3	598
Business and industrial loans	16	22,256	2	13	1,193	18	32,474	4	22	307
Total, RDIF 4/	9,895	3,394,481	308	3	10,357	11,013	4,101,896	375	3	10,334
Community Services Administration 3/:										
Economic Opportunity Loans:										
Individual	5,740	4,636	2,328	41	1,841	4,314	3,262	2,016	47	1,612
Cooperative	115	6,128	39	34	1,115	92	4,804	32	35	693
Total, CSA 4/	5,855	10,764	2,367	40	2,956	4,406	8,066	2,048	46	2,305
Total, FmHA 4/	1,167,629	28,711,800	214,093	18	371,452	1,226,855	34,639,693	223,787	18	501,911

1/ Includes non-farm enterprise loans.
2/ Activity for Section 523 Site loans is part of the Self-Help Land Development Fund.
3/ FmHA is responsible only for servicing on Equal Opportunity loans, the last of which were made in 1974.
4/ Totals do not always add because of rounding.

NOTE: Excludes Economic Emergency Loans.

FARMERS HOME ADMINISTRATION
Aging Schedule of Loan Repayment Delinquencies - Sept. 30, 1979
(Amounts in Thousands of Dollars)

Loan Type & Fund	Total Borrowers Delinquent		1 Month or Less 4/		2 - 6 Months		6 Months to 1 Year 5/		1 - 2 Years		Over 2 Years	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Agricultural Credit Insurance Fund:												
Individual Loans:												
Farm ownership 1/	6,939	34,915	5	493	0	0	3,815	6,719	1,308	5,360	1,811	22,344
Percent	100	100	0	1	0	0	55	19	19	16	26	64
Farm operating	15,020	137,938	68	297	1	3	6,409	32,725	2,996	26,895	5,546	78,018
Percent	100	100	0	0	0	0	43	24	20	19	37	57
Recreation	32	341	0	0	0	0	15	30	7	43	10	269
Percent	100	100	0	0	0	0	47	9	22	13	31	78
Emergency disaster	10,934	189,708	120	724	0	0	6,651	71,140	2,510	64,461	1,653	53,384
Percent	100	100	1	0	0	0	61	38	23	34	15	28
Other real estate	23	443	4	3	0	0	5	9	3	25	11	406
Percent	100	100	17	1	0	0	22	2	13	6	48	91
Soil and water	823	1,553	0	0	0	0	565	653	152	433	106	467
Percent	100	100	0	0	0	0	69	42	18	28	13	30
Association Loans:												
Irrigation and drainage	10	249	0	0	0	0	3	46	7	203	0	0
Percent	100	100	0	0	0	0	30	18	70	82	0	0
Grazing	11	311	0	0	0	0	9	176	1	13	1	121
Percent	100	100	0	0	0	0	82	57	9	4	9	39
Recreation facilities	74	2,989	0	0	0	0	18	107	17	292	39	2,590
Percent	100	100	0	0	0	0	24	4	23	10	53	86
Indian tribe land acquisition	1	73	0	0	0	0	1	73	0	0	0	0
Percent	100	100	0	0	0	0	100	100	0	0	0	0
Soil Conservation Service Loans												
Watershed protection and flood prevention	15	637	0	0	0	0	8	80	0	0	7	557
Percent	100	100	0	0	0	0	53	13	0	0	47	87

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Aging Schedule of Loan Repayment Delinquencies - Sept. 30, 1979
(Continued)

Loan Type & Fund	Total Borrowers Delinquent		1 Month or Less 4/		2 - 6 Months		6 Months to 1 Year 5/		1 - 2 Years		Over 2 Years	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Resource conservation and development	8	239	0	0	0	0	2	3	3	72	3	164
Percent	100	100	0	0	0	0	24	1	38	30	38	69
Total, ACIF 6/	33,890	369,396	197	1,517	1	3	17,501	111,761	7,004	97,797	9,187	158,320
Percent	100	100	1	0	0	0	52	30	20	27	27	43
Rural Housing Insurance Fund:												
Low to Moderate Income Housing Loans:												
Repair (Section 504)	3,146	441	815	15	1,291	71	477	70	268	81	295	205
Percent	100	100	26	3	41	16	15	16	9	18	9	47
General purpose (Section 502)	73,652	31,966	22,333	1,871	36,164	11,044	8,657	7,233	4,520	6,496	1,978	5,322
Percent	100	100	30	6	49	34	12	23	6	20	3	17
Non-interest credit	109,035	77,866	35,353	4,183	49,351	19,659	12,331	13,550	6,956	15,105	5,044	25,369
Percent	100	100	33	5	45	25	11	18	6	19	5	33
Above Moderate Income Housing (Section 502)	1,261	800	476	46	502	181	156	143	76	160	51	268
Percent	100	100	38	6	40	23	12	18	6	20	4	33
Domestic Farm Labor (Section 514)	20	995	0	0	0	0	11	13	3	26	6	956
Percent	100	100	0	0	0	0	55	1	15	3	30	96
Rental or Cooperative (Sec. 515)	352	6,243	0	0	0	0	268	2,695	36	760	48	2,788
Percent	100	100	0	0	0	0	76	43	10	12	14	45
Site (Section 523 & 524) 2/	8	1,565	0	0	0	0	3	160	1	75	4	1,330
Percent	100	100	0	0	0	0	38	10	12	5	50	85
Total, RHIF 6/	187,474	119,876	58,977	6,115	87,308	30,955	21,903	23,864	11,860	22,703	7,426	36,238
Percent	100	100	31	5	47	26	12	20	6	19	4	30

Aging Schedule of Loan Repayment Delinquencies - Sept. 30, 1979
Continued

Loan Type & Fund	Total Borrowers Delinquent		1 Month or Less 4/		2 - 6 Months		6 Months to 1 Year 5/		1 - 2 Years		Over 2 Years	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Rural Development Insurance Fund												
Community Facilities Loans:												
Water and waste disposal	333	9,429	3	22	8	196	178	1,676	58	1,833	86	5,702
Percent	100	100	1	0	2	2	54	18	17	19	26	61
Other community facilities	38	598	1	8	2	13	31	360	4	216	0	0
Percent	100	100	3	2	5	2	82	60	10	36	0	0
Business and industrial	4	307	1	16	0	0	1	54	1	143	1	94
Percent	100	100	25	5	0	0	25	18	25	46	25	31
Total, RDIP 6/	375	10,334	5	46	10	209	210	2,090	63	2,192	87	5,796
Percent	100	100	1	1	3	2	56	20	17	21	23	56
Community Services Admin. 3/												
Economic Opportunity Loans:												
Individual	2,016	1,612	304	47	80	10	314	44	185	59	1,133	1,452
Percent	100	100	15	3	4	1	16	3	9	3	56	90
Cooperative	32	693	0	0	0	0	8	7	8	93	16	593
Percent	100	100	0	0	0	0	25	1	25	13	50	86
Total, CSA 6/	2,048	2,305	304	47	80	10	322	51	193	152	1,149	2,045
Percent	100	100	15	2	4	0	16	2	9	7	56	89
Total, FmHA 6/	223,787	501,911	59,483	7,725	87,399	31,177	39,936	137,766	19,120	122,845	17,849	202,399
Percent	100	100	27	2	39	6	18	28	8	24	8	40

1/ Includes non-farm enterprise loans.
2/ Activity for Section 523 Site loans is part of the Self-help Land Development Fund.
3/ FmHA is responsible only for servicing on Equal Opportunity loans, the last of which were made in 1974.
4/ Annual payment borrowers are not shown in this column except in 502 housing.
5/ Annual payment borrowers not included.
6/ Totals do not always add because of rounding.

* Less than $500.

Note: Excludes Economic Emergency Loans.

Report on Acquired Property
September 30, 1979

Program Type	Collateral Acquired During Month 1/		Collateral Sold During Month		Gain or loss on Collateral sold 3/	Unsettled balance not written off 4/	Collateral Inventory as of 9/30/79	
	Number of properties	Value of property	Number of properties	Government Investment in property sold 2/			Number of properties	Value of properties
1979 (as of September 30, 1979)								
Agricultural Credit Insurance Fund:								
Farm ownership	9	$482,640	8	$570,970	-$148,670	$ --	125	$8,342,944
Non-farm enterprise	--	--	--	--	--	--	2	62,158
Soil and water - individuals	--	--	--	--	--	--	10	307,776
Grazing association	--	--	--	--	--	--	--	--
Recreation association	--	--	--	--	--	--	8	1,345,502
Watershed	--	--	--	--	--	--	--	--
Flood prevention	--	--	--	--	--	--	--	--
Resource conservation and development	--	--	--	--	--	--	--	--
Rural Development Insurance Fund								
Domestic water	--	--	--	--	--	--	--	--
Waste disposal	--	--	--	--	--	--	--	--
Water and waste disposal	--	--	--	--	--	--	--	--
Rural Housing Insurance Fund								
Rural housing - individuals	437	8,997,277	516	11,039,927	-119,473	146,664	5,265	105,734,856
Rural rental housing	3	1,058,617	--	--	--	--	21	4,230,408
Farm labor housing	--	--	1	23,000	44,500	--	3	442,436
Rural housing site	--	--	--	--	--	--	5	382,565
Total, FmHA 1979	449	10,538,534	525	11,633,897	-223,643	146,664	5,439	120,848,645

1/ Property acquired through voluntary conveyance or foreclosure.
2/ Government investment in property sold is the acquisition value of the property plus costs charged to the property inventory account or costs charged to expense.
3/ The gain or loss of collateral sold is the net sale price of the property less the Government investment in the property less the amount of debt owed by the borrower that was written off. A positive amount reflects gain, a negative amount reflects a loss.
4/ The amount of debt that is unpaid and not written off at the time of foreclosure, and a collection only account or judgment account remains for which the borrower remains indebted.

FARMERS HOME ADMINISTRATION

The 1981 Budget Estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Housing Insurance Fund

For direct loans and related advances pursuant to section 517(m) of the Housing Act of 1949, as amended, [$24,000,000] $50,000,000 shall be available from funds in the rural housing insurance fund, and for insured loans as authorized by title V of the Housing Act of 1949, as amended, [$3,979,000,000] $3,672,600,000, of which not less than [$3,070,000,000] $3,145,600,000 shall be available for subsidized interest loans to low-income borrowers as determined by the Secretary; and not to exceed $5,000,000 for advances as authorized by section 501(e) of such Act and not to exceed $5,000,000 for compensation of construction defects as authorized by section 509(c) of such Act: Provided, That unsubsidized interest guaranteed loans of not to exceed [$500,000,000] $275,000,000 shall be in addition to these amounts.

1 During fiscal year 1981, no more than [20,000] 17,230 units may be assisted under rental assistance agreements entered into during the year pursuant to authority under section 521(a)(2) of the Housing Act of 1949, as amended, and the total obligation incurred over the life of these agreements shall not exceed $393,000,000 to be added to and merged with the authority provided for this purpose in prior fiscal years.

2 During fiscal year 1981, no more than 910 units may be assisted under the special home ownership assistance program pursuant to authority under section 521(a)(1)(C) of the Housing Act of 1949, as amended, and the total obligation incurred over the life of the applicable agreements and any renewals thereof, shall not exceed $100,000,000.

For an additional amount to reimburse the rural housing insurance fund for interest subsidies and losses sustained in prior years, but not previously reimbursed, in carrying out the provisions of title V of the Housing Act of 1949, as amended (42 U.S.C. 1483, 1487e, and 1490a(c)), including [$22,663,000] $8,712,000 as authorized by section 521(c) of
3,4 the Act, [$320,209,000] $504,318,000, and for [an] additional [amount]
5 amounts as authorized by section 521(c) of the Act as may be necessary to reimburse the fund to carry out a rental assistance program and a
6,7 special home ownership assistance program under [section] sections 521 (a)(1)(C) and 521 (a)(2) of the Housing Act of 1949, as amended.

8 In sum, during 1981, gross obligations for the principal amount of direct loans shall not exceed $3,722,600,000, and total commitments to guarantee loans shall not exceed $275,000,000 of contingent liability for loan principal.

The first change updates the number of units assisted in the rental assistance program.

The second change in language would establish a limit on the number of units that can be assisted under the proposed home ownership assistance program (HOAP) in fiscal year 1981. This language would also limit the amount of the cost of this home ownership assistance to be incurred over the life of the HOAP agreements.

The third, fourth, fifth, sixth and seventh changes in language would give the Farmers Home Administration the authority to reimburse the fund each year for the actual amount of the home ownership assistance payments. The home ownership assistance program is very similar in concept to the rental assistance program for which FmHA has established a similar reimbursement schedule. This method of seeking reimbursement in the year the cost is incurred will reduce FmHA's need to borrow from the Treasury to finance the cost of these programs until the regular reimbursement for loss is appropriated two years later.

The eighth change adds language as part of the new OMB Federal Credit Control procedures and is intended to provide clarity as to the gross loan levels reflected in the direct and guaranteed loan categories.

Rural Housing Insurance Fund

(a) Direct Loan Authorization

Appropriation Act, 1980	$24,000,000
Budget Estimate, 1981	50,000,000
Increase in Loan Authorization	+26,000,000

PROJECT STATEMENT
(On basis of authorizations)

Project	1979	1980 (estimated)	Increase or Decrease	1981 (estimated)
Direct loan authorizations:	1/			
Very low-income repair loans	$14,720,645	$24,000,000	+$26,000,000	$50,000,000
Unobligated authorizations lapsing	9,279,355	- -	- -	- -
Total, loan authorizations	24,000,000	24,000,000	+26,000,000	50,000,000

EXPLANATION OF PROGRAM

Direct rural housing loans may be made to individuals who live on farms, in the open country, and in towns of not more than 10,000 population. These loans may also be made to people who live in towns of 10,000-20,000 population that are not located within standard metropolitan statistical areas, and have a serious lack of mortgage credit for low and moderate income families. In the case of applicants who are deficient in repayment ability, cosigners on promissory notes are permitted.

Direct repair and improvement loans not in excess of $7,500 are made to very low-income families who are owners of farms or nonfarm rural property to repair or improve their dwellings in order to make them safe and sanitary and to remove health hazards to the families and the community. These loans are made at one percent interest and are repayable in not more than 20 years.

(b) Reimbursement for Subsidies and Losses

Appropriation Act, 1980	$396,359,000 2/
Budget 1981	615,318,000 3/
Increase in Appropriation	+218,959,000

1/ Includes $10,395 for advances not included in program obligation level.

2/ Includes reimbursement for payments made under the rural rental assistance program in the amount of $76,150,000.

3/ Includes reimbursement for payments made under the rural rental assistance and home ownership assistance programs in the amounts of $110,000,000 and $1,000,000, respectively, in fiscal year 1981.

PROJECT STATEMENT
(On basis of appropriation)

Project	1979	1980 (estimated)	Increase or Decrease	1981 (estimated)
Reimbursement for:				
Interest subsidies and losses:				
General purpose loans	$276,431,000	$261,352,000	+141,296,000	$402,648,000
Rental or cooperative loans	41,335,000	56,022,000	+42,755,000	98,777,000
Domestic farm labor loans	2,139,000	2,286,000	+607,000	2,893,000
Site loans	287,000	549,000	-549,000	- -
Subtotal	320,192,000	320,209,000	+184,109,000	504,318,000
Rural rental assist. payments	14,155,983	76,150,000	+33,850,000	110,000,000
Home ownership assist. payments	--	- -	+1,000,000	1,000,000
			(1)	
Total Appropriation	334,347,983	396,359,000	+218,959,000	615,318,000

EXPLANATION OF PROGRAM

This appropriation is proposed to reimburse the Rural Housing Insurance Fund for funded interest subsidies and losses incurred in fiscal year 1979 and for the rural rental assistance and home ownership assistance program payments estimated to be made in fiscal year 1981. Section 521(c)(1) of the Housing Act of 1949, as amended, authorizes annual appropriations to the rural housing insurance fund of the amounts by which interest payments made from the fund to investors in insured loans exceed the interest due from borrowers. In addition, section 517(e) of the Act authorizes appropriations to restore all other losses to the fund. The amount requested is exclusive of provision for future losses, unfunded costs, and imputed interest. Section 521(c)(2) provides for the reimbursement of the amount of assistance payments made under the rural rental assistance program.

The rural rental assistance program is a fairly new program and has the objective of reducing rents paid by low-income families living in FmHA - financed rental projects and farm labor housing projects. Under this program, low-income tenants pay no more than 25 percent of their adjusted monthly income for rent. Payments from the fund are made to the project owner to make up the difference between the tenant's payment and the approved rental rate established for the unit. Although the requested amount for reimbursement for the rural rental assistance program is $110 million, the life-time costs of rural rental assistance contracts entered into in FY 1981 is $393 million.

The home ownership assistance program (HOAP) is proposed for implementation in FY 1981. It provides an additional deeper subsidy to lower income borrowers to enable them to afford modest housing. Under the program, the recipients contribute no more than 25 percent of their adjusted incomes toward the basic shelter cost components of principal, interest, taxes, insurance, utilities, and maintenance, and the Government contributes the balance. HOAP payments would be coupled with the maximum interest credit subsidy that can be provided under the existing section 502 program. Both HOAP and interest credit subsidies will be subject to recapture at the time the recipient sells the house.

The maximum liability for the Government for the HOAP units proposed for FY 1981, assuming that all recipients will stay in the program the full 33 year term of their loans, is estimated to be $100 million. Graduations and other departures from the program are expected to reduce this amount to $51 million, recapture of HOAP and interest credit subsidy is estimated to be $23 million. If all the recapture is applied to HOAP, the net lifetime cost of the FY 1981 program is expected to be only $26 million. If interest credit subsidies are considered, the net lifetime costs of these HOAP assisted loans will be $67 million.

Of the $100 million maximum liability, only $1 million is needed for reimbursements in FY 1981, with $99 million allocated for reimbursements over the next 33 years.

HOAP is limited, by law, to areas which lack adequate rental housing. However, it may serve areas that would otherwise require rental housing assistance either now or in the future. The Department has developed estimates showing that HOAP is less costly in the long run than rental housing involving rental assistance payments. These estimates projected the net subsidy cost for assisting a HOAP unit for 33 years and the subsidy cost for assisting a rental assistance unit for 33 years to be $87,988 and $193,467 respectively. HOAP's implementation in FY 1981 would provide for additional evaluation of the comparative costs and other impacts of these programs.

JUSTIFICATION OF INCREASE

(1) An increase of $218,959,000 for reimbursement of subsidies and losses ($396,359,000 available in 1980).

The amount requested will reimburse the Rural Housing Insurance Fund for interest subsidies and losses incurred during fiscal year 1979 and for the rural rental assistance and home ownership assistance program payments estimated to be made in fiscal year 1981. The increase of $218,959,000 for reimbursement for subsidies and losses is due to several factors. First, the portfolio of loans outstanding increased approximately $2.6 billion during the fiscal year. Interest costs associated with the sale of Certificates of Beneficial Ownership (CBO's) increased due to additional sales and an upward trend in interest rates during the year. The interest income generated within the fund increased owing to the expansion of the portfolio but the average interest rate did not increase appreciably owing to the large proportion of subsidized loans within the portfolio. In addition, the loss was increased because of the reversal of an accounting error in the handling of CBO interest during FY 1978 which understated FY 1978 losses. The net result of these various factors increased the interest subsidy losses by $187,721,000 to $492,357,000. The other major identifiable factors in the increase are an increase in reimbursement needed for rental assistance payments of $33,850,000, and the estimated $1,000,000 reimbursement needed for the HOAP payments.

An analysis by loan program of the accrued operating deficit, exclusive of unfunded losses, amounts recovered for participation certificate transactions, rental assistance, and home ownership assistance is shown in the following table. In accordance with the accounting principles and standards followed by FmHA, this schedule is prepared on an accrual basis.

Rural Housing Insurance Fund

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income			Expense				Net Total
	Interest	Other	Total	Interest	Write-offs	Other	Total	
1979 Actual								
Loans:								
General purpose loans	$788,230	$3,001	$791,232	$1,179,034	$4,522	$10,323	$1,193,879	$-402,648
Domestic farm labor loans	686	5	691	3,644	- -	-60	3,584	-2,893
Rental or cooperative loans	56,372	326	56,698	154,981	113	381	155,475	-98,777
Site loans	343	1	343	329	- -	14	344	- -
TOTAL	845,631	3,333	848,964	1,337,988	4,635	10,659	1,353,282	-504,318 1/
1980 Estimate								
Loans								
General purpose loans	886,215	9,525	895,740	1,389,908	5,507	17,170	1,412,585	-516,845
Domestic farm labor loans	1,020	15	1,035	5,275	- -	120	5,395	-4,360
Rental or cooperative loans	67,377	543	67,920	211,328	10	462	211,800	-143,880
Site loans	450	3	453	435	- -	20	455	-2
TOTAL	955,062	10,086	965,148	1,606,946	5,517	17,772	1,630,235	-665,087 2/
1981 Estimate								
Loans								
General purpose loans	1,017,899	11,827	1,029,726	1,664,636	6,062	18,206	1,688,904	-659,178
Domestic farm labor loans	1,230	30	1,260	7,350	- -	160	7,510	-6,250
Rental or cooperative loans	80,393	722	81,115	279,030	10	531	279,571	-198,456
Site loans	550	4	554	530	- -	25	555	-1
TOTAL	1,100,072	12,583	1,112,655	1,951,546	6,072	18,922	1,976,540	-863,885 3/

1/ Does not include rural rental assistance payments made in the amount of $14,156 thousand in FY 1979.
2/ Does not include rural rental assistance payments estimated to be made in the amount of $76,150 thousand in FY 1980.
3/ Does not include rural rental assistance payments estimated to be made in the amount of $110 million and home ownership assistance payments of $1 million in FY 1981.

RURAL HOUSING INSURANCE FUND

Analysis of Outlays by Loan Program
Fiscal Year 1979
(In thousands of dollars)

	General Purpose Loans	Domestic Farm Labor Loans	Rental or Cooperative Loans	Site Loans	Total
Funds for program operations:					
Funds expended:					
Loans made by the fund	2,886,658	10,647	750,139	1,705	3,649,149
Purchase of loans and certificates of beneficial ownership	886,075	102	244,806	268	1,131,251
Collections disbursed to investors	116,521	43	2,962	- -	119,526
Interest expense	1,042,173	3,375	137,211	283	1,183,042
Interest credits on loans	3,857	- -	688	- -	4,545
Rural rental assistance payments	- -	426	13,730	- -	14,156
Home ownership assistance payments	- -	- -	- -	- -	- -
Administrative expense	- -	- -	- -	- -	- -
Interest transferred on participation certificates	1,959	- -	- -	- -	1,959
Other	35,634	31	1,139	11	36,816
Total funds expended	4,972,877	14,624	1,150,675	2,267	6,140,443
Funds received:					
Repayments on loans	995,735	1,435	28,734	833	1,026,737
Payments of interest on loans	735,815	630	47,513	261	784,219
Sale of loans and certificates of beneficial ownership	2,957,820	10,440	1,031,202	983	4,000,445
Collections received for investors	108,393	53	3,095	- -	111,541
Insurance premiums and guarantee fees	622	- -	26	- -	649
Other	31,434	54	1,529	13	33,030
Total funds received	4,829,819	12,612	1,112,099	2,090	5,956,621
OUTLAYS	143,058	2,012	38,576	177	183,822

RURAL HOUSING INSURANCE FUND

Analysis of Outlays by Loan Program
Fiscal Year 1980
(In thousands of dollars)

	General Purpose Loans	Domestic Farm Labor Loans	Rental or Cooperative Loans	Site Loans	Total
Funds for program operations:					
Funds expended:					
Loans made by the fund	3,085,620	19,700	818,000	1,680	3,925,000
Purchase of loans and certificates of beneficial ownership	2,452,140	270	549,840	710	3,002,960
Collections disbursed to investors	102,300	50	2,650	- -	105,000
Interest expense	1,240,000	5,000	195,100	400	1,440,500
Interest credits on loans	3,100	- -	600	- -	3,700
Rural rental assistance payments	- -	1,523	74,627	- -	76,150
Home ownership assistance payments	- -	- -	- -	- -	- -
Administrative expense	2,300	30	660	10	3,000
Interest transferred on participation certificates	1,800	- -	- -	- -	1,800
Other	38,800	50	1,660	15	40,525
Total funds expended	6,926,060	26,623	1,643,137	2,815	8,598,635
Funds received:					
Repayments on loans	1,064,000	1,700	33,300	1,000	1,100,000
Payments of interest on loans	824,400	900	62,350	350	888,000
Sale of loans and certificates of beneficial ownership	3,570,000	11,380	1,095,000	400	4,676,780
Collections received for investors	87,300	50	2,650	- -	90,000
Insurance premiums and guarantee fees	3,550	- -	50	- -	3,600
Other	36,500	100	2,025	20	38,645
Total funds received	5,585,750	14,130	1,195,375	1,770	6,797,025
OUTLAYS	1,340,310	12,493	447,762	1,045	1,801,610

RURAL HOUSING INSURANCE FUND

Analysis of Outlays by Loan Program
Fiscal Year 1981
(In thousands of dollars)

	General Purpose Loans	Domestic Farm Labor Loans	Rental or Cooperative Loans	Site Loans	Total
Funds for program operations:					
Funds expended:					
Loans made by the fund	2,865,000	29,000	880,000	4,000	3,778,000
Purchase of loans and certificates of beneficial ownership	2,146,525	240	481,200	480	2,628,445
Collections disbursed to investors	97,400	40	2,560	- -	100,000
Interest expense	1,402,790	7,500	238,000	430	1,648,720
Interest credits on loans	2,200	- -	500	- -	2,700
Rural rental assistance payments	- -	3,300	106,700	- -	110,000
Home ownership assistance payments	1,000	- -	- -	- -	1,000
Administrative expense	2,200	50	720	30	3,000
Interest transferred on participation certificates	1,500	- -	- -	- -	1,500
Other	42,040	60	2,025	20	44,145
Total funds expended	6,560,655	40,190	1,711,705	4,960	8,317,510
Funds received:					
Repayments on loans	1,158,000	2,000	38,500	1,500	1,200,000
Payments of interest on loans	938,700	1,200	82,670	430	1,023,000
Sale of loans and certificates of beneficial ownership	5,182,000	39,000	1,703,000	4,825	6,928,825
Collections received for investors	77,860	35	2,105	- -	80,000
Insurance premiums and guarantee fees	4,100	- -	50	- -	4,150
Other	40,800	130	2,491	30	43,451
Total funds received	7,401,460	42,365	1,828,816	6,785	9,279,426
OUTLAYS	-840,805	-2,175	-117,111	-1,825	-961,916

The following schedule presents an analysis of change in the cash position of the fund.

Rural Housing Insurance Fund

Change in Cash Position of the Fund
(In Thousands of Dollars)

	1979 Actual	1980 Estimate	1981 Estimate
Cash balance, beginning of year	170,619	312,656	100,280
Outlays	-183,822	-1,801,610	961,916
Funds for financing:			
Appropriation for reimbursement of losses	320,192	320,209	504,318
Appropriation for reimbursement of rental assistance payments	14,156	76,150	110,000
Appropriation for reimbursement of home ownership assistance program	- -	- -	1,000
Funds for payment of sales insufficiencies	455	- -	- -
Principal transferred to participation certificates	-8,943	-7,125	-5,845
Borrowing from Treasury	- -	1,200,000	- -
Repayment of borrowing from Treasury	- -	- -	-1,200,000
Net financing	325,860	1,589,234	-590,527
Cash balance, end of year	312,656	100,280	471,669

As of September 30, 1981 the principal amount of contingent liabilities under insurance programs is estimated to be $23,821.8 million.

RURAL HOUSING INSURANCE FUND

(c) RURAL HOUSING PROGRAMS - OBLIGATIONS
(Dollars in Millions)

	1979 Actual		1980 Estimate		Change	1981 Estimate	
	No. of Units	Amount	No. of Units	Amount	1980 Amount Over 1979	No. of Units	Amount
Low-Income Housing Assistance:							
Subsidized Interest Rate Loans:							
Repair loans (sec. 504)	5,213	$ 14.7	7,900	$ 24.0	$+ 26.0(1)	15,000	$ 50.0
General purpose loans (sec. 502):							
Purchase of new dwellings	38,645	1,229.7	37,600	1,310.0	+ 18.0(2)	34,900	1,328.0
Purchase of existing dwellings	24,368	748.0	26,100	870.0	+ 59.0(2)	25,500	929.0
Repair only	1,251	29.3	1,800	40.0	+ 3.0(2)	1,800	43.0
Domestic farm labor housing loans (sec. 514)	2,575	36.3	1,885	30.0	- 4.4(3)	1,590	25.6
Rental or cooperative loans (sec. 515)	36,520	821.6	33,348	820.0	- -	30,515	820.0
Non-Subsidized Interest Rate Loans:							
Site loans (sec. 524) a/	- -	2.2	- -	.7	+ 4.3(4)	- -	5.0
General purpose loans (sec. 502)	2,516	52.8	1,580	35.0	- 35.0(2)	- -	- -
Subtotal, Low-Income Housing Loan Assistance	111,088	2,934.6	110,213	3,129.7	70.9	109,305	3,200.6
Moderate-Income Housing Loan Assistance:							
Non-Subsidized Interest rate loans:							
General purpose loans (sec. 502)	26,620	806.5	25,120	820.0	- 353.0(2)	13,000	467.0
Weatherization loans made through REA Coops	- -	.7	- -	5.0	- -	- -	5.0
Rental or cooperative loans (sec. 515)	2,130	47.9	1,952	48.0	- -	1,785	48.0
Site loans (sec. 524) a/	- -	.8	- -	.3	+ 1.7(4)	- -	2.0
Subtotal, Moderate-Income Housing Loan Assistance	28,750	855.9	27,072	873.3	- 351.3	14,785	522.0
Above Moderate-Income Housing Loan Assistance							
Non-Subsidized Interest Rate Loans:							
General purpose loans - guaranteed	374	11.9	14,500	500.0	- 225.0(5)	7,300	275.0
TOTAL LOAN ASSISTANCE	140,212	3,802.4	151,785	4,503.0	- 505.4	131,390	3,997.6
Home ownership assistance	- -	- -	- -	- -	+ 100.0(6)	(910)	100.0
Rural rental assistance	(22,623)	423.0	(20,000)	393.0	- -	(17,230)	393.0
TOTAL HOUSING PROGRAMS	140,212	4,225.3	151,785	4,896.0	- 405.4	131,390	4,490.6

a/ Site loans do not produce units of housing. They are usually made in conjunction with sec. 502 or sec. 515 loans and the units would be counted in these categories.

NOTE: All unit information is preliminary. The program levels are subject to minor shifts between categories.

The interest subsidy outlays associated with the FY 1981 total loan program level are estimated to be $726.6 million over the FY1982-FY 1985 period.

EXPLANATION OF PROGRAM

The Rural housing insurance fund was established under the authority contained in section 1003 (a) of the Housing and Urban Development Act of 1965 (Public Law 89-117), approved August 10, 1965. Public Law 89-117 authorized an appropriation of such sums as may be necessary for the purposes of the fund. An Appropriation of $100,000,000 was provided by the Supplemental Appropriation Act, 1966 (Public Law 89-309), to capitalize the fund for future operations.

Public Law 89-117 transferred authorities for making insured farm labor housing loans and insured rural rental or cooperative housing loans from the Agricultural credit insurance fund to the Rural housing insurance fund. Public Law 90-448, approved August 1, 1968, authorized interest credits to the accounts of certain qualified borrowers. Public Law 91-152, approved December 24, 1969, transferred the assets, liabilities, and authorizations of the Rural housing direct loan account to the Rural housing insurance fund. Public Law 91-609, approved December 31, 1970, made a number of changes in the loan and grant programs for farm labor housing.

The Housing and Community Development Act of 1974, Public Law 93-383, approved August 22, 1974, provides that loans may be made in areas with a population in excess of 10,000 but less than 20,000 if such an area is not included within a standard metropolitan statistical area and has a serious lack of mortgage credit as determined by the Secretary of Agriculture and the Secretary of Housing and Urban Development. This authority was amended by Public Law 94-375, approved August 3, 1976, to specify that there must be a serious lack of mortgage credit for low and moderate income families. The Housing and Community Development Act of 1974 also established a rural rental assistance program to be administered by Farmers Home Administration through the Rural housing insurance fund. The Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, provided for numerous changes in FmHA's rural housing authorities. The most significant were: changes made to the guaranteed housing program authorities to make the program more attractive to local lenders and to limit its scope to above moderate-income applicants only, as defined by FmHA; provision for payments from the RHIF to borrowers for compensation for correction of construction defects, claims resulting from such defects, or the acquisition of title to the property, where a newly constructed unit purchased with financial assistance from FmHA is found by the Secretary to have structural defects; and provision for FmHA-held acquired property to be subject to taxation by State and local political subdivisions in the same manner and to the same extent as other property is taxed.

The Housing and Community Development Amendments of 1978, Public Law 95-557, approved October 31, 1978, authorized, most notably, the Home Ownership Assistance Program (HOAP) and Subsidy Recapture. HOAP will allow FmHA to provide the opportunity for home ownership to low-income applicants lacking the repayment ability needed to qualify for a loan under the current rural housing building and repair (section 502) loan program. Subsidy Recapture will enable FmHA to recover all or a portion of the subsidies (interest credit and HOAP) rendered under its section 502 housing program after the sale of the unit or the nonoccupancy by the subsidy recipient for any reason.

Rural housing building and repair loans (section 502 of the Housing Act of 1949, as amended) - Loans are made to enable eligible low and moderate income applicants to construct, improve, alter, repair or replace dwellings in rural areas, if their need for necessary housing cannot be met with financial assistance from other sources. These loans currently bear interest at 10.0 percent with provisions for interest credits of up to 9 percent under certain circumstances. Such loans may not exceed amounts necessary to provide adequate housing, modest in size, design and cost. Insured building loans are made to farm owners, owners of other real estate in rural areas, others who are or will become rural residents, and long-term leaseholders. These loans are repayable in not more than 33 years.

Guaranteed above moderate-income housing loans - Individual home ownership loans made by local lenders to eligible above moderate-income rural residents may be guaranteed by FmHA to enable the individual to finance the building or purchase of modest housing which otherwise could not be obtained without a FmHA guarantee. The interest rate on the loan is at a rate negotiated by the borrower and the lender.

Rural rental and cooperative building loans (section 515 of the Housing Act of 1949 as amended) - Loans are authorized to be made to individuals, corporations, associations, public bodies, trusts, or partnerships to provide moderate cost rental or cooperative housing and related facilities for elderly or handicapped persons or families and other persons of low and moderate income in rural areas. These loans are repayable in not more than 50 years and currently bear interest at 10.0 percent with provision for interest credits of up to 9 percent under certain circumstances These loans are made only if the need for necessary housing cannot be met with financial assistance from other sources except in the case of public bodies. The Farmers Home Administration may make its rural rental housing loans in conjunction with the Department of Housing and Urban Development's section 8 rent subsidy program. Loans made for units that will receive section 8 assistance, bear an interest rate that is reduced either 1 percent or 2 percent below the unsubsidized rate, depending upon the circumstances of the individual project.

Rural housing site loans - Loans are made for the purchase and development of land to be subdivided into building sites for low to moderate income housing borrowers and rural rental and cooperative housing borrowers. Insured loans are made at 10.0 percent interest and are repayable in two years.

Farm labor housing loans - Loans are authorized to be made to a farm owner, to certain public or broad-based private nonprofit organizations, public bodies, or to a nonprofit organization of farm workers to provide modest living quarters, basic houshold furnishings, and related facilites, including land necessary for an adequate site, for domestic farm labor. These loans are repayable in not more than 33 years and bear interest not in excess of one percent, except under certain cirumstances. Loans to organizations may be made simultaneously with farm labor housing grants which are discussed elsewhere in these justifications.

Rural rental assistance payments - Rural rental assistance payments are authorized to be made to owners of FmHA financed rural rental or cooperative housing or domestic farm labor housing facilities in such amounts as to make such housing available to low-income occupants at rental rates that do not exceed 25 percent of each occupant's adjusted income. The program is administered in tandem with FmHA's section 515 rural rental and cooperative housing programs, and the farm labor loan and grant programs. The program was implemented in fiscal year 1978 and provides assistance to both new and existing FmHA financed projects.

Home ownership assistance payments - Certain low-income section 502 borrowers may receive additional subsidies, when interest credit alone is not sufficient to enable the borrowers to afford modest housing. The additional subsidies would allow the borrowers to contribute 25 percent of their adjusted incomes toward the basic cost components of principal, interest, taxes, insurance, utilities, and maintenance; and the Government would contribute the balance.

JUSTIFICATION OF INCREASES AND DECREASES

The FY 1981 program level request of $4,490,600,000 for insured and guaranteed loan programs, and other housing assistance under the Rural Housing Insurance Fund is a net decrease of $405,400,000 from the program levels approved for FY 1980. The changes in program level consist of:

(1) An increase of $26,000,000 for section 504 very low-income repair loans ($24,000,000 available in FY 1980.)

Need for Increase: The proposed FY 1981 section 504 very low-income repair loan program has been increased by $26,000,000. In fiscal year 1981, the Department plans to continue its targeted housing strategy that will give high priority to providing housing assistance to families with the greatest need. This targeting strategy was a result of a comprehensive study of rural housing program needs, goals, and past accomplishments conducted at the request of the President by a task force under USDA leadership with Department of Housing and Urban Development and Office of Management and Budget participation.

This proposed program level demonstrates the Department's commitment to the targeting concept. These loans are made to very low-income rural residents to make essential repairs that will remove health hazards to the occupant family or the community.

Nature of Change: Total units assisted will increase from 7,900 in FY 1980 to 15,000 in FY 1981.

(2) A net decrease of $308,000,000 for section 502 low-to-moderate income rural housing loans to individuals ($3,080 million available in FY 1980) consisting of:

Need for Change: An increase of $59,000,000 for interest credit loans to low-income borrowers for the purchase of existing dwellings.

An increase of $3,000,000 for interest credit loans to low-income borrowers for repair and rehabilitation only of existing dwellings.

An increase of $18,000,000 for interest credit loans to low-income borrowers to build or purchase new dwellings.

A decrease of $35,000,000 for non-interest credit loans to low-income borrowers.

A decrease of $353,000,000 for insured non-interest credit loans to moderate-income borrowers.

The proposed program level for interest credit loans to low-income borrowers will be increased by $80 million from the FY 1980 level. The non-interest credit section 502 program will be reduced $388 million in FY 1981. This reduction results from the continued targeting of the section 502 loan program towards families that are in most need of adequate housing.

Nature of Change: Low income units assisted will decrease from 67,080 in FY 1980 to 62,200 in FY 1981. Moderate income units assisted will decrease from 25,120 in FY 1980 to 13,000 in FY 1981.

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(3) A decrease of $4,400,000 for domestic farm labor housing loans to individuals and organizations ($30,000,000 available in FY 1980).

Need for Change: The proposed FY 1981 program level has been reduced $4,400,000. This reduced program level, however, is still two and one-half times greater than previous program levels prior to FY 1979. The requested program level of $25,600,000 can accomplish the major goals of the program.

Nature of Change: Units assisted will decrease from 1,885 in FY 1980 to 1,590 in FY 1981, but will remain substantially above program levels prior to FY 1979.

(4) An increase of $6,000,000 for Section 524 insured site loans ($1,000,000 available in FY 1980).

Need for Change: The proposed FY 1981 section 524 insured site loan program has been increased by $6,000,000. The demand for loans under this program has increased after several years of sporadic activity. The lack of available, reasonably priced and buildable rural housing sites along with the high cost or unavailability of site financing has been a limiting factor in the development of low and moderate income housing in rural areas.

Nature of Change: The expansion of this nonsubsidized program will provide for additional housing production in rural areas where FmHA's programs would not be possible without FmHA sponsored site financing.

(5) A decrease of $225,000,000 for guaranteed above-moderate income housing loans ($500,000,000 available in FY 1980).

Need for Change: This decrease results from the Department's attempt to more accurately project the expected level of demand for this program based on the program's historical experience. For example, in FY 1979, only $11.9 million in loans were guaranteed out of the $500 million available.

Nature of Change: The proposed program level will finance 7,300 units which is the maximum estimated need.

(6) An increase of $100,000,000 for the Home Ownership Assistance Program (no program level in FY 1980).

Need for Change: The home ownership assistance program (Public Law 95-557, approved October 31, 1978) authorizes the obligation of subsidies from the Rural Housing Insurance Fund in order to provide the opportunity for home ownership to low-income applicants in rural areas whose incomes do not qualify them for a loan under the current section 502 interest credit program. The program will provide subsidies for low-income borrowers to lower the cost of home ownership (principal, interest (1 percent), taxes, insurance, utilities, and maintenance) to 25 percent of the adjusted income of the borrower. FmHA will subsidize the difference between the cost of home ownership and the borrower's contribution. The program will be targeted towards low-income families currently living in substandard housing.

HOAP payments would be coupled with the maximum interest credit subsidy that can be provided under the existing section 502 program. Both HOAP and interest credit subsidies will be subject to recapture at the time the recipient sells the house.

The maximum liability for the Government for the 910 HOAP units proposed for FY 1981, assuming that all recipients will stay in the program the full 33 year term of their loans, is estimated to be $100 million. Graduations

and other departures from the program are expected to reduce this amount by $51 million, recapture of HOAP and interest credit subsidy is estimated to be $23 million. If all the recapture is applied to HOAP, the net lifetime cost of the FY 1981 program is expected to be only $26 million. If interest credit subsidies are considered, the net lifetime cost of these HOAP assisted loans will be $67 million.

Of the $100 million maximum liability, only $1 million is needed for reimbursements in FY 1981, with $99 million allocated for reimbursements over the next 33-years.

HOAP is limited, by law, to areas which lack adequate rental housing. However, it may serve areas that would otherwise require rental housing assistance either now or in the future. The Department has developed estimates showing that HOAP is less costly in the long run than rental housing involving rental assistance payments. These estimates projected the net subsidy cost for assisting a HOAP unit for 33 years, and the subsidy cost for assisting a rental assistance unit for 33 years to be $87,988 and $193,467 respectively. HOAP's implementation in FY 1981 would provide for additional evaluation of the comparative costs and other impacts of these programs.

Nature of Change: The new program will be initiated and will support the subsidization of 910 housing units for low income applicants.

STATUS OF PROGRAM

Rural Housing Insurance Fund

Direct Loans

During the fiscal year 1979, a total of $14,710,250 was obligated for 5,651 direct very low-income housing repair loans, and $10,395 for loan cost items from the authorization to make such loans.

	1979 Actual	
	Number	Amount
		(Dollars in Thousands)
Very low-income housing repair loans (sec. 504):		
Initial	5,213	14,146
Subsequent	438	565
Recoverable costs	--	10
Total	5,651	14,721

The FY 1980 appropriation provides $24,000,000 for this program.

Rural Housing Loans

The following table shows the number and amount of rural housing loans made in 1979.

	1979 Actual	
	Number	Amount
		(Dollars in Thousands)
Rural housing building loans (sec. 502):		
Initial	94,570	2,765,372 1/
Subsequent	16,985	113,476
Rural housing site loans (sec. 524):		
Initial	10	1,622
Subsequent	6	1,336
Rural rental housing loans (sec. 515):		
Initial	1,247	827,894
Subsequent	398	41,614
Farm labor housing loans (sec. 514):		
Initial	220	21,991
Subsequent	34	14,338
Total	113,470	3,787,644

The FY 1980 appropriation provides $3,580,000,000 for Section 502 rural housing loans, $1,000,000 for rural housing site loans, $868,000,000 for Section 515 rural rental housing loans and $30,000,000 for farm labor housing loans.

1/ Includes 796 Weatherization loans for $704 thousand.

Other Housing Assistance

	1979 Actual	
	Number	Amount
Rural rental assistance program (sec. 521):		
New units	5,750	$309,062
Existing units	16,873	113,893
Subtotal units	22,623	422,955
Compensation of construction defects (sec. 509)	229	383
Total	22,852	423,338

Rental assistance payments made in FY 1979 amount to $14,155,983.

For FY 1980, it is anticipated that contracts valued at $393 million will be entered into benefitting approximately 20,000 rental units. Rental assistance payments in FY 1980 are estimated to be $76,150,000.

As of Sept. 30, 1979, $25,209,202,811 had been advanced to 1,313,660 borrowers since the inception of these housing programs. Principal payments of $7,155,407,151 and interest payments of $4,778,800,909 had been made. Principal write-offs and judgments totaled $37,951,056.

FARMERS HOME ADMINISTRATION

Rural Housing Insurance Fund
Account

Very-Low Income Repair Loans
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	1,067,260	1,000,000	1,900,000
Alaska	1,500	100,000	200,000
Arizona	52,430	160,000	500,000
Arkansas	822,340	950,000	1,500,000
California	189,700	460,000	1,200,000
Colorado	70,430	130,000	400,000
Connecticut	6,580	100,000	200,000
Delaware	31,990	100,000	200,000
Florida	69,970	470,000	1,200,000
Georgia	247,730	820,000	2,200,000
Hawaii	5,560	100,000	200,000
Idaho	49,010	100,000	300,000
Illinois	219,320	380,000	900,000
Indiana	121,440	350,000	900,000
Iowa	211,460	350,000	700,000
Kansas	43,840	150,000	500,000
Kentucky	507,250	1,100,000	2,000,000
Louisiana	672,260	800,000	1,800,000
Maine	741,270	550,000	1,300,000
Maryland	111,130	110,000	500,000
Massachusetts	30,160	100,000	300,000
Michigan	264,780	430,000	1,100,000
Minnesota	93,400	290,000	800,000
Mississippi	1,960,250	1,700,000	2,300,000
Missouri	393,170	600,000	1,200,000
Montana	22,930	100,000	300,000
Nebraska	45,560	120,000	400,000
Nevada	8,250	100,000	200,000
New Hampshire	20,610	100,000	200,000
New Jersey	101,170	110,000	300,000
New Mexico	197,530	330,000	600,000
New York	184,730	390,000	900,000
North Carolina	493,730	1,080,000	2,300,000
North Dakota	90,570	100,000	300,000
Ohio	77,350	540,000	1,100,000
Oklahoma	257,440	340,000	900,000
Oregon	106,580	240,000	400,000
Pennsylvania	310,220	700,000	1,400,000
Rhode Island	2,100	100,000	100,000
South Carolina	198,780	570,000	1,300,000
South Dakota	28,100	100,000	300,000
Tennessee	125,260	600,000	1,600,000
Texas	688,320	1,310,000	2,500,000
Utah	12,670	100,000	200,000
Vermont	30,630	100,000	200,000
Virginia	114,280	470,000	1,200,000
Washington	174,430	200,000	400,000
West Virginia	382,710	450,000	1,000,000
Wisconsin	153,020	320,000	800,000
Wyoming	21,450	100,000	200,000
Puerto Rico	1,226,640	1,900,000	3,300,000
Virgin Islands	18,880	100,000	100,000
Amer. Samoa	542,600	680,000	1,100,000
Guam	--	100,000	100,000
Trust Territories	1,089,480	1,150,000	2,000,000
Total	14,710,250	24,000,000	50,000,000

FARMERS HOME ADMINISTRATION

Rural Housing Insurance Fund
Account

Low-Moderate Income Loans
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	75,151,973	82,000,000	80,000,000
Alaska	18,269,560	21,000,000	17,500,000
Arizona	26,799,520	28,000,000	26,000,000
Arkansas	82,520,940	84,000,000	72,000,000
California	79,067,328	84,000,000	79,000,000
Colorado	38,610,910	39,000,000	31,000,000
Connecticut	16,516,940	19,000,000	18,000,000
Delaware	6,775,570	9,000,000	8,500,000
Florida	65,609,163	74,000,000	71,000,000
Georgia	78,448,100	96,000,000	100,000,000
Hawaii	18,349,970	19,000,000	15,000,000
Idaho	41,611,170	42,000,000	27,000,000
Illinois	78,872,263	80,000,000	71,000,000
Indiana	79,426,691	81,000,000	71,000,000
Iowa	76,350,850	77,000,000	60,000,000
Kansas	51,409,757	52,000,000	49,000,000
Kentucky	86,968,312	97,000,000	93,000,000
Louisiana	93,661,420	97,000,000	85,000,000
Maine	49,429,120	50,000,000	39,000,000
Maryland	29,808,230	34,000,000	32,000,000
Massachusetts	32,689,160	33,000,000	27,000,000
Michigan	84,787,220	88,000,000	82,000,000
Minnesota	61,330,141	64,000,000	58,000,000
Mississippi	100,219,921	102,000,000	90,000,000
Missouri	79,842,760	83,000,000	75,000,000
Montana	21,903,290	23,000,000	20,000,000
Nebraska	37,979,730	38,000,000	31,000,000
Nevada	9,262,690	10,000,000	8,500,000
New Hampshire	19,819,360	20,000,000	15,500,000
New Jersey	39,341,620	40,000,000	32,000,000
New Mexico	21,565,580	24,000,000	23,000,000
New York	100,290,290	102,000,000	86,000,000
North Carolina	155,711,220	159,000,000	143,000,000
North Dakota	28,554,452	29,000,000	23,000,000
Ohio	34,170,150	69,000,000	80,000,000
Oklahoma	79,785,600	80,000,000	61,000,000
Oregon	64,528,800	65,000,000	50,000,000
Pennsylvania	57,493,195	82,000,000	94,000,000
Rhode Island	9,543,380	10,000,000	9,500,000
South Carolina	64,436,130	73,000,000	61,000,000
South Dakota	32,387,150	33,000,000	26,000,000
Tennessee	98,080,820	101,000,000	89,000,000
Texas	80,164,908	111,000,000	120,000,000
Utah	31,134,900	32,000,000	23,000,000
Vermont	32,580,290	33,000,000	24,000,000
Virginia	83,325,012	87,000,000	75,000,000
Washington	33,399,970	35,000,000	32,000,000
West Virginia	48,041,310	51,000,000	50,000,000
Wisconsin	66,706,224	70,000,000	61,000,000
Wyoming	14,797,730	15,000,000	12,500,000
Puerto Rico	121,655,210	122,000,000	116,000,000
Virgin Islands	9,164,420	10,000,000	8,500,000
Amer. Samoa	--	250,000	250,000
Guam	18,526,350	20,000,000	19,500,000
Trust Territories	120,000	750,000	750,000
Total	2,866,996,770	3,080,000,000	2,772,000,000

FARMERS HOME ADMINISTRATION

Rural Housing Insurance Fund
Account

Guaranteed Rural Housing Loans
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	59,850	12,000,000	6,300,000
Alaska	--	9,000,000	5,000,000
Arizona	--	5,000,000	2,700,000
Arkansas	283,050	9,000,000	5,000,000
California	--	12,000,000	6,300,000
Colorado	--	5,000,000	2,700,000
Connecticut	--	5,000,000	2,700,000
Delaware	--	5,000,000	2,700,000
Florida	81,450	12,000,000	6,300,000
Georgia	47,530	17,000,000	10,000,000
Hawaii	--	9,000,000	5,000,000
Idaho	--	5,000,000	2,700,000
Illinois	226,750	15,000,000	9,000,000
Indiana	408,500	13,000,000	8,000,000
Iowa	259,180	10,000,000	5,500,000
Kansas	349,550	7,000,000	3,700,000
Kentucky	727,480	14,000,000	8,000,000
Louisiana	33,500	11,000,000	6,000,000
Maine	36,130	6,000,000	3,500,000
Maryland	61,910	6,000,000	3,500,000
Massachusetts	--	5,000,000	2,700,000
Michigan	169,410	15,000,000	9,000,000
Minnesota	612,470	11,000,000	5,800,000
Mississippi	1,203,930	12,000,000	6,300,000
Missouri	165,740	11,000,000	5,800,000
Montana	130,500	6,000,000	3,500,000
Nebraska	610,020	6,000,000	3,500,000
Nevada	--	5,000,000	2,700,000
New Hampshire	34,310	5,000,000	2,700,000
New Jersey	--	8,000,000	4,200,000
New Mexico	91,150	6,000,000	3,500,000
New York	96,400	15,000,000	9,000,000
North Carolina	123,110	21,000,000	11,000,000
North Dakota	562,450	6,000,000	3,500,000
Ohio	--	17,000,000	10,000,000
Oklahoma	2,249,010	7,000,000	3,700,000
Oregon	--	5,000,000	2,700,000
Pennsylvania	131,400	19,000,000	10,000,000
Rhode Island	--	5,000,000	2,700,000
South Carolina	127,550	11,000,000	5,800,000
South Dakota	34,700	6,000,000	3,500,000
Tennessee	293,550	14,000,000	6,800,000
Texas	325,200	19,000,000	10,000,000
Utah	--	5,000,000	2,700,000
Vermont	37,800	6,000,000	3,500,000
Virginia	29,100	12,000,000	6,300,000
Washington	--	7,000,000	3,700,000
West Virginia	29,000	9,000,000	5,000,000
Wisconsin	2,220,090	11,000,000	5,800,000
Wyoming	--	5,000,000	2,700,000
Puerto Rico	--	12,000,000	6,300,000
Virgin Islands	--	5,000,000	2,700,000
Amer. Samoa	--	1,000,000	550,000
Guam	--	4,000,000	2,200,000
Trust Territories	--	1,000,000	550,000
Total	11,851,770	500,000,000	275,000,000

FARMERS HOME ADMINISTRATION

Rural Housing Insurance Fund
Account

Rural Housing Site Loans
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Arizona	25,000	--	100,000
Arkansas	81,300	--	100,000
California	417,470	200,000	1,200,000
Florida	286,780	100,000	1,000,000
Kentucky	37,000	--	100,000
Maryland	85,000	--	200,000
Minnesota	282,000	100,000	500,000
North Carolina	336,000	100,000	500,000
Pennsylvania	152,300	--	800,000
South Dakota	770,270	300,000	500,000
Washington	485,180	100,000	500,000
Puerto Rico	--	100,000	1,500,000
Total	2,958,300	1,000,000	7,000,000

FARMERS HOME ADMINISTRATION

Rural Housing Insurance Fund
Account

Rural Rental Loans
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	35,519,200	30,000,000	27,500,000
Alaska	5,278,920	5,500,000	3,500,000
Arizona	12,048,480	10,000,000	8,000,000
Arkansas	13,166,400	16,000,000	19,500,000
California	46,639,680	36,000,000	27,000,000
Colorado	6,479,980	8,000,000	7,000,000
Connecticut	5,564,070	5,500,000	6,000,000
Delaware	2,263,880	2,500,000	2,000,000
Florida	27,658,000	26,000,000	24,500,000
Georgia	18,764,780	26,000,000	38,000,000
Hawaii	3,130,740	3,500,000	2,500,000
Idaho	8,252,420	8,000,000	5,500,000
Illinois	34,210,630	31,000,000	24,000,000
Indiana	37,338,120	25,000,000	21,500,000
Iowa	29,363,720	24,000,000	15,000,000
Kansas	12,458,870	12,000,000	10,500,000
Kentucky	7,707,750	22,000,000	32,000,000
Louisiana	16,516,270	19,000,000	27,000,000
Maine	15,725,660	11,000,000	9,000,000
Maryland	8,262,370	9,000,000	10,500,000
Massachusetts	7,615,900	8,000,000	7,500,000
Michigan	33,549,210	30,000,000	27,000,000
Minnesota	25,660,580	22,000,000	18,500,000
Mississippi	23,755,010	24,000,000	28,000,000
Missouri	26,985,540	24,000,000	24,000,000
Montana	5,524,100	5,500,000	5,500,000
Nebraska	11,231,900	10,000,000	7,500,000
Nevada	4,726,360	4,500,000	1,500,000
New Hampshire	9,126,800	9,000,000	4,500,000
New Jersey	8,768,730	9,000,000	8,500,000
New Mexico	10,064,570	10,000,000	8,500,000
New York	34,582,050	31,000,000	25,500,000
North Carolina	39,312,350	40,000,000	45,500,000
North Dakota	12,499,120	11,000,000	5,500,000
Ohio	28,428,570	28,000,000	31,500,000
Oklahoma	10,992,700	11,000,000	13,500,000
Oregon	13,804,380	13,000,000	10,000,000
Pennsylvania	27,987,400	31,000,000	38,000,000
Rhode Island	1,500,000	1,500,000	1,500,000
South Carolina	18,529,320	22,000,000	26,000,000
South Dakota	14,040,760	11,000,000	6,000,000
Tennessee	17,341,410	20,000,000	27,500,000
Texas	38,450,660	37,000,000	43,500,000
Utah	4,842,250	5,000,000	3,500,000
Vermont	3,184,200	4,000,000	4,000,000
Virginia	18,118,000	19,000,000	23,500,000
Washington	17,961,610	15,000,000	10,500,000
West Virginia	16,237,920	18,000,000	17,000,000
Wisconsin	26,199,580	25,000,000	19,500,000
Wyoming	6,632,640	7,000,000	2,500,000
Puerto Rico	2,005,000	23,000,000	43,000,000
Virgin Islands	3,500,000	3,500,000	1,500,000
Amer. Samoa	--	1,000,000	1,000,000
Guam	--	4,000,000	5,500,000
Trust Territories	--	1,000,000	1,000,000
Total	869,508,560	868,000,000	868,000,000

FARMERS HOME ADMINISTRATION

Rural Housing Insurance Fund
Account

Farm Labor Housing Loans
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	151,950	200,000	200,000
Arizona	443,240	400,000	400,000
Arkansas	3,248,790	2,700,000	2,300,000
California	14,343,940	7,500,000	6,000,000
Connecticut	21,500	50,000	50,000
Florida	6,588,200	5,500,000	4,200,000
Hawaii	288,650	300,000	300,000
Idaho	116,780	250,000	200,000
Iowa	35,000	50,000	50,000
Louisiana	175,270	200,000	200,000
Maine	--	100,000	100,000
Maryland	29,400	100,000	100,000
Massachusetts	682,940	600,000	500,000
Michigan	61,550	100,000	100,000
Minnesota	--	1,000,000	1,000,000
Mississippi	3,411,380	3,150,000	2,900,000
Montana	30,500	50,000	50,000
New Hampshire	228,600	250,000	250,000
New Jersey	--	50,000	50,000
New Mexico	894,320	1,000,000	900,000
New York	287,900	300,000	300,000
North Carolina	265,630	300,000	300,000
Oklahoma	93,030	100,000	100,000
Oregon	326,050	350,000	300,000
Pennsylvania	--	1,000,000	500,000
South Carolina	598,140	500,000	500,000
South Dakota	32,500	50,000	50,000
Tennessee	878,940	750,000	750,000
Texas	1,218,310	1,000,000	1,000,000
Utah	255,000	300,000	300,000
Vermont	695,100	750,000	750,000
Virginia	231,900	300,000	200,000
Washington	647,400	650,000	600,000
Wisconsin	46,900	100,000	100,000
Total	36,328,810	30,000,000	25,600,000

FARMERS HOME ADMINISTRATION

Rural Housing Insurance Fund
Account

Rural Rental Assistance Program
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	19,492,750	13,000,000	13,000,000
Alaska	1,862,000	2,000,000	2,000,000
Arizona	1,709,500	3,500,000	3,500,000
Arkansas	7,075,750	7,000,000	7,000,000
California	31,461,500	20,000,000	20,000,000
Colorado	1,989,250	4,000,000	4,000,000
Connecticut	1,541,250	2,500,000	2,500,000
Delaware	1,244,000	1,000,000	1,000,000
Florida	13,796,750	11,000,000	11,000,000
Georgia	7,292,500	12,000,000	12,000,000
Hawaii	--	2,000,000	2,000,000
Idaho	6,022,000	4,000,000	4,000,000
Illinois	11,765,500	13,000,000	13,000,000
Indiana	17,976,000	13,000,000	13,000,000
Iowa	21,459,500	12,000,000	12,000,000
Kansas	6,079,250	6,000,000	6,000,000
Kentucky	5,968,500	10,000,000	10,000,000
Louisiana	2,896,750	9,000,000	9,000,000
Maine	10,728,750	6,000,000	6,000,000
Maryland	3,706,000	4,000,000	4,000,000
Massachusetts	2,347,000	3,500,000	3,500,000
Michigan	10,994,750	13,000,000	13,000,000
Minnesota	14,389,000	10,000,000	10,000,000
Mississippi	12,090,000	11,000,000	11,000,000
Missouri	17,620,500	12,000,000	12,000,000
Montana	3,190,250	3,000,000	3,000,000
Nebraska	5,151,250	4,000,000	4,000,000
Nevada	2,440,000	2,000,000	2,000,000
New Hampshire	1,691,750	2,500,000	2,500,000
New Jersey	3,488,000	4,000,000	4,000,000
New Mexico	7,042,250	5,000,000	5,000,000
New York	18,962,000	12,000,000	12,000,000
North Carolina	11,538,500	18,000,000	18,000,000
North Dakota	8,250,750	5,000,000	5,000,000
Ohio	14,450,500	13,000,000	13,000,000
Oklahoma	3,253,500	5,000,000	5,000,000
Oregon	6,949,000	5,000,000	5,000,000
Pennsylvania	16,252,500	14,000,000	14,000,000
Rhode Island	2,687,500	1,000,000	1,000,000
South Carolina	7,885,000	9,500,000	9,500,000
South Dakota	9,762,000	5,000,000	5,000,000
Tennessee	5,782,000	9,000,000	9,000,000
Texas	15,484,250	17,000,000	17,000,000
Utah	1,405,250	1,500,000	1,500,000
Vermont	1,552,750	2,000,000	2,000,000
Virginia	7,550,750	8,000,000	8,000,000
Washington	13,996,500	6,000,000	6,000,000
West Virginia	6,194,000	6,000,000	6,000,000
Wisconsin	13,223,250	11,000,000	11,000,000
Wyoming	2,588,000	2,000,000	2,000,000
Puerto Rico	--	14,500,000	14,500,000
Virgin Islands	675,000	750,000	750,000
Amer. Samoa	--	250,000	250,000
Guam	--	2,000,000	2,000,000
Trust Territories	--	500,000	500,000
Total	422,955,250	393,000,000	393,000,000

Payment of Sales Insufficiencies

In fiscal years 1967 and 1968, the Farmers Home Administration was authorized to sell to private investors, through the Government National Mortgage Association, participation certificates backed by loan assets in FmHA accounts as follows:

	Direct Loan Account*	Rural Housing Direct Loan Account**	Total
	(Dollars in millions)		
1967 Sales Authorizations	$ 488	$ 112	$ 600
1968 Sales Authorizations	600	150	750
	1,088	262	1,350

* This account was merged with the Agricultural Credit Insurance Fund as of September 30, 1972.

** This account was merged with the Rural Housing Insurance Fund as of June 30, 1970.

Of the 1968 authorization, $525 million was used in the fiscal year 1968 and $225 million was carried forward and used in 1969. Sales insufficiencies result from the amount of interest due holders of participation certificates and handling costs in excess of investment income and interest earned on loans pledged as security for the certificates. The interest rates on the certificates are generally higher than the interest rates on the pledged loans. The Agriculture-Environmental and Consumer Protection Appropriation Act, 1974, appropriated, on a permanent indefinite basis, such sums as may be necessary to cover the insufficiencies from the 1968 sale of certificates. Insufficiencies for sales authorized in 1968 are $455 thousand for fiscal year 1978. No insufficiencies estimated to be incurred in fiscal years 1979 and 1980. Budget authority to reimburse RHIF for the insufficiencies is requested the year after the losses are incurred.

FARMERS HOME ADMINISTRATION

The 1981 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Agricultural Credit Insurance Fund

For an additional amount to reimburse the agricultural credit insurance fund for interest subsidies and losses sustained in prior years, but not previously reimbursed, in carrying out the provisions of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1988(a)), [$272,809,000] $297,032,000.

Loans may be insured, or made to be sold and insured, under this fund in accordance with and subject to the provisions of 7 U.S.C. 1928-1929, or guaranteed, as follows: real estate loans, $949,600,000, including not less than $870,000,000 for farm ownership loans of which $50,000,000 shall be guaranteed loans; and not less than $60,500,000 for water development, use, and conservation loans of which $6,000,000 shall be guaranteed loans; operating loans, $875,000,000 of which $25,000,000 shall be guaranteed loans; and emergency insured and guaranteed loans in amounts necessary to meet the needs resulting from natural disasters.

In sum, during 1981, gross obligations for the principal amount of direct loans shall not exceed $1,767,600,000, and total commitments to guarantee loans shall not exceed $81,000,000 of contingent liability for loan principal. Such limits shall include amounts obligated or committed pursuant to authorizations provided under other headings for direct loans or loan guarantees to be made by this fund but shall not include amounts for emergency loans.

The addition of this language is part of the new OMB Federal Credit Control procedures and is intended to provide clarity as to the gross loan levels reflected in the direct and guaranteed loan categories.

Agricultural Credit Insurance Fund

(a) Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1980	$272,809,000
Budget Estimate, 1981	297,032,000
Increase in Appropriation	+24,223,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1979	1980 (estimated)	Increase or Decrease	1981 (estimated)
Reimbursement for Interest Subsidies and Losses:				
Farm Loans to Individuals:				
Farm ownership loans	$80,785,000	$ 85,886,000	$ -7,871,000	$ 78,015,000
Farm operating loans	848,000	17,172,000	-17,693,000	-521,000
Emergency disaster loans.	44,270,000	147,367,000	-23,785,000	123,582,000
Emergency livestock loans	3,958,000	6,808,000	- 711,000	6,097,000
Economic emergency loans.	--	377,000	+77,810,000	78,187,000
Soil and water conservation loans	3,227,000	4,182,000	- 494,000	3,688,000
Farm Loans to Associations or Groups:				
Irrigation and drainage loans	132,000	1,877,000	- 341,000	1,536,000
Grazing loans	3,784,000	1,761,000	- 893,000	868,000
Recreation loans	1,660,000	3,063,000	- 794,000	2,269,000
Indian tribe land acquisition loans	616,000	1,001,000	- 186,000	815,000
Watershed protection & flood prevention loans.	3,701,000	2,745,000	- 703,000	2,042,000
Resource conservation & development loans	611,000	545,000	- 113,000	432,000
Inactive Loan Programs	-27,000	25,000	- 3,000	22,000
Total appropriation	143,565,000	272,809,000	+24,223,000	297,032,000

EXPLANATION OF PROGRAM

This appropriation is proposed to reimburse the Agricultural Credit Insurance Fund for funded interest subsidies and losses incurred in fiscal year 1979.

JUSTIFICATION OF INCREASE

(1) An increase of $24,223,000 for reimbursement for interest subsidies and losses ($272,809,000 available in 1980).

The amount requested will reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses incurred through September 30, 1979. Losses result primarily from interest costs incurred due to the difference between the interest rate paid by the borrower and the rate the Government is charged to borrow money. Until the passage of the Agricultural Credit Act of 1978, Public Law 95-334, August 4, 1978, many of the loans made from this fund had been subject to interest rates in effect since 1954. Most of these rates were below the Government's cost of money. Most of the loans currently being made from this Fund are now subject to the cost of money interest rate. Low income, limited resource borrowers may be charged interest at a lower rate.

An analysis by loan program of the accrued operating deficit, exclusive of unfunded losses, is shown in the following table. In accordance with the accounting principles and standards followed by FmHA, this schedule is prepared on an accrual basis.

AGRICULTURAL CREDIT INSURANCE FUND

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income			Expense				Net Total
	Interest	Other	Total	Interest	Write-offs	Other	Total	
1979 Actual								
A. Farm Loans to Individuals:								
Farm ownership loans	190,587	254	190,841	268,130	461	265	268,856	-78,015
Farm operating loans	120,669	91	120,760	110,081	9,995	163	120,239	521
Emergency disaster loans	325,718	216	325,934	424,304	2,167	23,045	449,516	-123,582
Emergency livestock loans	--	20	20	--	--	6,117	6,117	-6,097
Economic emergency loans	104,650	352	105,002	175,573	--	7,616	183,189	-78,187
Soil and water conservation loans	10,058	3	10,061	13,736	12	1	13,749	-3,688
B. Farm Loans to Associations or Groups:								
Irrigation and drainage loans	761	1	762	2,298	--	--	2,298	-1,536
Grazing loans	2,653	1	2,654	3,521	--	1	3,522	-868
Recreation loans	3,753	5	3,758	4,782	770	475	6,027	-2,269
Indian land acquisition loans	2,731	1	2,732	3,547	--	--	3,547	-815
Watershed protection and flood prevention loans	2,416	1	2,417	4,459	--	--	4,459	-2,042
Resource conservation and development loans	574	--	574	1,006	--	--	1,006	-432
C. Inactive loan programs	22	--	22	44	--	--	44	-22
TOTAL	764,592	945	765,537	1,011,481	13,405	37,683	1,062,569	-297,032

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AGRICULTURAL CREDIT INSURANCE FUND

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income			Expense				Net Total
	Interest	Other	Total	Interest	Write-offs	Other	Total	
1980 Estimate								
A. Farm Loans to Individuals:								
Farm ownership loans	255,227	167	255,394	374,736	484	264	375,484	-120,090
Farm operating loans	161,572	59	161,631	153,821	10,496	161	164,478	-2,847
Emergency disaster loans	476,128	140	476,268	654,245	2,276	29,858	686,379	-210,111
Emergency livestock loans	--	13	13	--	--	6,062	6,062	-6,049
Economic emergency loans	140,124	227	140,351	245,339	--	7,548	252,887	-112,536
Soil and water conservation loans	13,462	2	13,464	19,194	12	--	19,206	-5,742
B. Farm Loans to Associations or Groups:								
Irrigation and drainage loans	1,024	--	1,024	3,208	--	--	3,208	-2,184
Grazing loans	3,552	--	3,552	4,919	--	--	4,919	-1,367
Recreation loans	5,027	3	5,030	6,685	809	471	7,965	-2,935
Indian land acquisition loans	3,655	--	3,655	4,961	--	--	4,961	-1,306
Watershed protection and flood prevention loans	3,235	--	3,235	6,233	--	--	6,233	-2,998
Resource conservation and development loans	768	--	768	1,399	--	--	1,399	-631
C. Inactive loan programs	--	--	--	--	--	--	--	--
TOTAL	1,063,774	611	1,064,385	1,474,740	14,077	44,364	1,533,181	-468,796

AGRICULTURAL CREDIT INSURANCE FUND

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income			Expense				Net Total
	Interest	Other	Total	Interest	Write-offs	Other	Total	
1981 Estimate								
A. Farm Loans to Individuals:								
Farm ownership loans	309,047	209r	309,256	410,686	534	209	411,429	-102,173
Farm operating loans	177,620	74	177,694	168,578	11,588	128	180,294	-2,600
Emergency disaster loans	652,695	175	652,870	783,260	2,513	22,230	808,003	-155,133
Emergency livestock loans	--	16	16	--	--	4,802	4,802	-4,786
Economic emergency loans	169,672	285	169,957	268,876	--	5,979	274,855	-104,898
Soil and water conservation loans	16,301	2	16,303	21,035	14	--	21,049	-4,746
B. Farm Loans to Associations or Groups:								
Irrigation and drainage loans	1,663	--	1,663	3,516	--	--	3,516	-1,853
Grazing loans	4,302	--	4,302	5,391	--	--	5,391	-1,089
Recreation loans	6,087	4	6,091	7,327	893	373	8,593	-2,502
Indian land acquisition loans	4,426	--	4,426	5,437	--	--	5,437	-1,011
Watershed protection and flood prevention loans	3,917	--	3,917	6,831	--	--	6,831	-2,914
Resource conservation and development loans	930	--	930	1,533	--	--	1,533	-603
C. Inactive loan programs	--	--	--	--	--	--	--	--
TOTAL	1,346,660	765	1,347,425	1,682,470	15,542	33,721	1,731,733	-384,308

Agricultural Credit Insurance Fund

Analysis of Outlays by Loan Program

Fiscal Year 1979 Actual
(In Thousands of Dollars)

	Operating Loans	Farm Ownership Loans	Soil & Water Loans .Indiv.	Grazing Loans	Recreation Loans	Irrig. & Drain. Loans	Resource Cons. & Dev. Loans	Flood & Water Loans	Indian Land Loans	Emergency Disaster Loans	Emergency Live-stock Loans	Economic Emergency Loans	Inactive Loans	Total
Funds for program operations:														
Funds expended:														
Loans made by the fund	853,739	735,978	50,614	1,940	2,123	2,896	1,022	3,323	6,285	2,858,194	- -	2,867,145	- -	7,383,258
Purchase of loans and certificates of beneficial ownership	56,354	160,920	7,273	2,901	4,967	561	574	2,211	2,150	222,303	- -	91,994	22	552,227
Collections disbursed to investors	2,303	59,920	468	2,737	3,435	165	144	416	117	- -	- -	- -	- -	69,704
Interest expense	82,718	203,684	10,596	3,981	5,102	1,014	813	5,104	2,753	328,403	- -	135,890	34	780,090
Interest transferred on participation certificates	458	2,759	8	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	3,225
Administrative expense	- -	- -	- -	- -	- -	- -	- -	- -	- -	24,480	557	8,432	- -	33,469
Loss settlement, guaranteed loans	92	- -	- -	- -	- -	- -	- -	- -	- -	61	5,615	- -	- -	5,768
Other	2,358	9,012	361	220	474	41	30	21	14	2,802	- -	2	- -	15,335
Total funds expended	998,023	1,172,271	69,320	11,777	16,102	4,676	2,583	11,075	11,318	3,436,243	6,172	3,103,462	56	8,843,078
Funds received:														
Repayments on loans	658,678	182,420	10,008	3,926	1,967	340	922	2,211	445	908,631	- -	63,692	96	1,833,335
Payment of interest on loans	103,373	148,621	7,517	3,071	3,118	618	540	2,460	2,475	201,927	- -	19,254	22	492,996
Sale of cert. of benef. owner.	591,680	1,326,210	75,098	19,061	25,006	5,271	4,769	23,247	19,098	2,337,864	- -	967,458	237	5,395,000
Collections received for investors	1,504	56,676	391	2,820	2,086	183	158	233	117	- -	- -	- -	- -	64,167
Insurance premiums and guarantee fees	49	202	1	- -	- -	1	- -	- -	- -	3	- -	415	- -	671
Other	3,580	16,146	532	172	434	43	37	124	100	13,898	- -	4,690	1	39,758
Total funds received	1,358,864	1,730,275	93,548	29,050	32,610	6,455	6,426	28,276	22,235	3,462,323	- -	1,055,508	357	7,825,927
OUTLAYS	-360,841	-558,004	-24,228	-17,273	-16,509	-1,779	-3,844	-17,201	-10,916	-26,080	6,172	2,047,954	-301	1,017,151

Agricultural Credit Insurance Fund

Analysis of Outlays by Loan Program

Fiscal Year 1980 Estimate
(In Thousands of Dollars)

	Operating Loans	Farm Ownership Loans	Soil & Water Loans Indiv.	Grazing Loans	Recreation Loans	Irrig. & Drain. Loans	Resource Cons. & Dev. Loans	Flood & Water Loans	Indian Land Loans	Emergency Disaster Loans	Emergency Live-stock Loans	Economic Emergency Loans	Inactive Loans	Total
Funds for program operations:														
Funds expended:														
Loans made by the fund	849,044	816,919	48,557	4,603	2,254	5,297	3,792	9,515	14,872	2,505,783	- -	938,727	- -	5,199,363
Purchase of loans and certificates of beneficial ownership	136,510	389,989	17,666	7,093	12,045	1,338	1,338	5,353	5,220	538,811	- -	222,965	- -	1,338,328
Collections disbursed to investors	1,980	51,576	402	2,358	2,958	144	120	360	102	- -	- -	- -	- -	60,000
Interest expense	138,430	341,113	17,761	6,660	8,489	1,698	1,306	8,619	4,571	549,803	- -	227,496	- -	1,305,946
Interest transferred on participation certificates	454	2,738	8	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	3,200
Administrative expense	- -	- -	- -	- -	- -	- -	- -	- -	- -	27,166	460	6,939	- -	34,565
Loss settlement, guaranteed loans	127	- -	- -	- -	- -	- -	- -	- -	- -	85	- -	7,788	- -	8,000
Other	2,589	9,894	396	241	520	45	34	24	15	3,076	- -	2	- -	16,836
Total funds expended	1,129,134	1,612,229	84,790	20,955	26,266	8,522	6,590	23,871	24,780	3,624,724	460	1,403,917	- -	7,966,238
Funds received:														
Repayments on loans	898,250	249,000	13,750	5,250	2,750	500	1,250	3,000	500	1,339,000	- -	86,750	- -	2,600,000
Payment of interest on loans	169,857	244,215	12,312	5,022	5,103	1,053	891	4,050	4,050	361,776	- -	31,671	- -	840,000
Sale of cert. of benef. owner.	326,557	731,999	41,378	10,419	13,991	2,977	2,679	12,800	10,419	2,533,854	- -	533,743	- -	4,220,816
Collections received for investors	1,170	44,165	305	2,195	1,625	145	125	180	90	- -	- -	- -	- -	50,000
Insurance premiums and guarantee fees	73	304	- -	- -	- -	- -	- -	- -	- -	8	- -	625	- -	1,010
Other	1,436	6,472	214	69	174	17	14	49	40	5,571	- -	1,880	- -	15,936
Total funds received	1,397,343	1,276,155	67,959	22,955	23,643	4,692	4,959	20,079	15,099	4,240,209	- -	654,669	- -	7,727,762
OUTLAYS	-268,209	336,074	16,831	-2,000	2,623	3,830	1,631	3,792	9,681	-615,485	460	749,248	- -	238,476

Agricultural Credit Insurance Fund

Analysis of Outlays by Loan Program

Fiscal Year 1981 Estimate
(In Thousands of Dollars)

	Operating Loans	Farm Ownership Loans	Soil & Water Loans .Indiv.	Grazing Loans	Recreation Loans	Irrig. & Drain. Loans	Resource Cons. & Dev. Loans	Flood & Water Loans	Indian Land Loans	Emergency Disaster Loans	Emergency Live-stock Loans	Economic Emergency Loans	Inac-tive Loans	Total
Funds for program operations:														
Funds expended:														
Loans made by the fund	850,000	820,000	47,100	4,800	2,400	5,709	3,282	9,072	11,810	2,020,000	- -	41,250	- -	3,815,423
Purchase of loans and certificates of beneficial ownership	129,861	370,996	16,806	6,748	11,458	1,273	1,273	5,093	4,965	512,569	- -	212,106	- -	1,273,148
Collections disbursed to investors	1,650	42,980	335	1,965	2,465	120	100	300	85	- -	- -	- -	- -	50,000
Interest expense	149,603	368,644	19,194	7,198	9,174	1,835	1,411	9,315	4,940	706,138	- -	245,857	- -	1,523,309
Interest transferred on participation certificates	355	2,139	6	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	2,500
Administrative expense	- -	- -	- -	- -	- -	- -	- -	- -	- -	21,154	388	5,860	- -	27,402
Loss settlement, guaranteed loans	68	- -	- -	- -	- -	- -	- -	- -	- -	46	4,186	- -	- -	4,300
Other	3,347	12,791	511	311	673	59	44	30	20	3,977	- -	2	- -	21,765
Total funds expended	1,134,884	1,617,550	83,952	21,022	26,170	8,996	6,110	23,810	21,820	3,263,884	4,574	505,075	- -	6,717,847
Funds received:														
Repayments on loans	1,006,040	278,880	15,400	5,880	3,080	560	1,400	3,360	560	1,637,680	- -	97,160	- -	3,050,000
Payment of interest on loans	214,943	309,038	15,580	6,355	6,458	1,332	1,127	5,125	5,125	509,840	- -	40,077	- -	1,115,000
Sale of cert. of benef. owner.	332,834	746,071	42,173	10,619	14,260	3,034	2,731	13,046	10,619	1,792,650	- -	544,003	- -	3,512,040
Collections received for investors	936	35,332	244	1,756	1,300	116	100	144	72	- -	- -	- -	- -	40,000
Insurance premiums and guarantee fees	70	289	- -	- -	- -	- -	- -	- -	- -	7	- -	594	- -	960
Other	1,795	8,090	267	86	217	22	18	62	50	6,964	- -	2,350	- -	19,921
Total funds received	1,556,618	1,377,700	73,664	24,696	25,315	5,064	5,376	21,737	16,426	3,947,141	- -	684,184	- -	7,737,921
OUTLAYS	-421,734	239,850	10,288	-3,674	855	3,932	734	2,073	5,394	-683,257	4,574	-179,109	- -	-1,020,074

The following schedule presents an analysis of change in the cash position of the fund.

Agricultural Credit Insurance Fund

Change in Cash Position of the Fund
(In Thousands of Dollars)

	1979 Actual	1980 Estimate	1981 Estimate
Cash balance, beginning of year....	169,076	359,976	386,484
Outlays.....	-1,017,151	-238,476	1,020,074
Funds for financing:			
Appropriation for reimbursement of interest subsidies and losses.....	143,565	272,809	297,032
Treasury borrowings.....	1,074,000	- -	- -
Principal transferred on participation certificates...	-9,514	-7,825	-6,615
Repayment of borrowings from Treasury.....	- -	- -	-900,000
Net financing.....	1,208,051	264,984	-609,583
Cash balance, end of year.....	359,976	386,484	796,975

As of September 30, 1981, the principal amount of contingent liabilities under insurance programs is estimated to be $18,888.7 million.

(b) AGRICULTURAL CREDIT INSURANCE FUND LOAN LEVELS
(In Thousands of Dollars)

	1979 Actual	1980 Estimate	Change 1981 over 1980	1981 Estimate
Loans to Individuals:				
Farm ownership loans	$763,165	$870,000	- -	$870,000
Farm operating loans	894,754	875,000	- -	875,000
Recreation and other non-farm enterprise	2,196	2,400	- -	2,400
Emergency disaster loans	2,871,642	2,500,000	-500,000 (1)	2,000,000
Emergency livestock loans	19,035	- -	- -	- -
Economic emergency loans	3,089,486	1,100,000	-1,100,000 (2)	- -
Soil and water loans	51,479	53,100	- -	53,100
Subtotal, loans to individuals	7,691,757	5,400,500	-1,600,000	3,800,500
Loans to Associations or Groups:				
Irrigation and drainage loans	637	7,400	- -	7,400
Grazing loans	2,074	4,800	- -	4,800
Indian tribe land acquisition loans	11,000	11,900	- -	11,900
Watershed protection loans	4,818	25,600	-6,000 (3)	19,600
Flood prevention loans	- -	400	- -	400
Resource conservation and development loans	1,878	4,000	- -	4,000
Subtotal, loans to associations or groups	20,407	54,100	-6,000	48,100
TOTAL	7,712,164	5,454,600	-1,606,000	3,848,600

The interest subsidy associated with the FY 1981 total program level is estimated to be $212,250,506 over the first five years.

EXPLANATION OF PROGRAM

This fund is used to insure or guarantee farm ownership, recreation, soil and water, farm operating and emergency loans to individuals, as well as the following types of loans to associations: irrigation and drainage, grazing, Indian tribe land acquisition, watershed protection, flood prevention, and resource conservation and development.

Loans may be made by the fund from available receipts or borrowings from the Treasury. Loans made by the fund are held in a pool as security for certificates of beneficial ownership which are sold primarily to the Federal Financing Bank. FmHA is also authorized to provide financial assistance to borrowers by guaranteeing loans made by private lenders having a contract of guarantee from FmHA as approved by the Secretary.

Public Law 92-419, approved August 30, 1972, abolished the Farmers Home Administration Direct Loan Account and the Emergency Credit Revolving Fund and provided for transfer of the assets and liabilities of, and authorizations applicable to, these accounts to the Agricultural Credit Insurance Fund. It also provided for transfer from the Agricultural Credit Insurance Fund to the Rural Development Insurance Fund of the assets and liabilities of the Agricultural Credit Insurance Fund applicable to loans for water systems and waste disposal facilities.

Real Estate Loans to Individuals

Subtitle A of the Consolidated Farm and Rural Development Act contains the authorizations for farm ownership loans, recreation loans to individuals, and soil and water loans to individuals. Soil and water and recreation loans to individuals are each contained as a separate type of loan because the law sets forth eligibility requirements for these loans that differ somewhat from the eligibility requirements for farm ownership loans. In most respects, however, soil and water and recreation loans to individuals and farm ownership loans to individuals are subject to similar authorizations and limitations but not purposes.

Farm Ownership Loans. Farm ownership loans accompanied by supervisory assistance in farm and financial management are needed to preserve and improve the family farm pattern of American agriculture and to strengthen the economy of rural communities.

Farm ownership loans are used for:

1. Maintaining family farms: Owner-operators of this group of farms who are eligible for loans continue to need farm ownership loan assistance. In many cases this assistance will be needed to help families restructure their debts. A large number of family farm operators have entered into land purchase contracts which contain repayment schedules that are impossible to meet. Others need to utilize their real estate equities to refinance heavy short-term debts. In some instances the owner-operators need real estate credit assistance to make further adjustments in their operations, comply with local sanitation and pollution abatement requirements, keep up with advances in agricultural technology, better utilize their land and labor resources and meet changing market requirements. Some farmers eligible for these loans who are operating their farms on a part-time basis need farm ownership loan assistance to increase the income they receive from farming. Many of these part-time farmers have

stable nonfarm income and need only a modest boost in farm income to achieve a reasonable standard of living. Loans to finance income producing recreational enterprises or other nonfarm enterprises also help some farmers make more productive use of their labor.

2. Purchase and development of farms: One of the functions of the farm ownership loan program is to assist farmers in the purchase and enlargement of farms. Applicants eligible for these loans need assistance in combining small tracts of land, making basic soil improvements, establishing permanent pastures, improving or constructing dwellings and essential farm buildings, adding a nonfarm enterprise and taking other measures to increase the efficiency and income-producing capacity of their holdings.

Farm ownership loans are made to eligible individuals who (1) are U.S. citizens or resident aliens, (2) have either training or farm experience or other training or experience which is determined to be sufficient to assure reasonable prospects of success in the proposed operation, (3) are or will become owner-operators of not larger than family farms, and (4) are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time. If the applicant is a cooperative, corporation or partnership, the general eligibility requirements for individuals must be met. In addition, the entity must be controlled by farmers or ranchers engaged primarily and directly in farming or ranching; individuals owning a major interest must be U.S. citizens or resident aliens; the entity, all of its members, stockholders, or partners as individuals are unable to get credit elsewhere; the entity must own and operate a family farm after the loan is made and be authorized to do so in the state where the farm is located.

Loans are made for 40 years or less. An insured loan may not exceed $200,000 and a guaranteed loan may not exceed $300,000. The borrower is charged not more than the cost of money interest rate for insured loans except for low-income, limited resource borrowers who may be charged interest initially at a rate not more than 6 percent. The interest rate for guaranteed loans is negotiated by the lender and the borrower.

Regulations encourage making a farm ownership loan, when possible, simultaneously with a loan from a Federal Land Bank or private lending institution for authorized farm ownership purposes. Under this policy of participating with private lenders, it has been possible to increase the number of loans made with available farm ownership funds.

Recreation Loans. Recreation loans are made to individuals, cooperatives, corporations or partnerships that are engaged in farming either as a tenant or owner, at the time the application is filed. The loan limit is $200,000 for an insured loan and $300,000 for a guaranteed loan. The repayment period may be up to 40 years. Funds may be used to convert all or a portion of the farm to an outdoor income-producing enterprise which will supplement or supplant farm income. The operation is not limited to a family size operation after the loan is made.

Soil and Water Loans. Soil and water loans are made to individuals, cooperatives, corporations or partnerships that will operate a farm, either as a tenant or owner, after the loan is made. Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms prevailing in the community where the farm is located.

Soil and water loans are not limited to family size operations. In the case of loans to cooperatives, corporations or partnerships, the entity must be authorized to own or operate the farm in the state where it is located. The individuals holding a majority interest in the entity must be citizens of the United States, permanent residents of the United States, or on indefinite parole. Indefinite parolees signify individuals who have been legally admitted to the United States on indefinite parole and are able to provide evidence of their status.

Soil and water loans to individuals may be made for land and water development, use and conservation including pollution control and energy saving measures. These purposes include a variety of items involving domestic water, irrigation and conservation such as terraces, dikes, reservoirs, ponds, tanks, cisterns, wells, pipelines, pumping and irrigation equipment, ditches and canals for irrigation and drainage, waterways, and erosion control structures; also drainage of land which is part of an operating farm unit, land clearing, sodding, subsoiling, land leveling, liming, forestation for sustained yield and tree planting for erosion control or shelter belt purposes.

Loans to Associations and Groups

Subtitle A of the Consolidated Farm and Rural Development Act contains the authorizations for association loans and Indian tribe land acquisition loans. The following types of association loans authorized under subtitle A are currently made from the Agricultural Credit Insurance Fund: irrigation and drainage, grazing and Indian tribe land acquisition loans. In addition, watershed works of improvement and flood prevention loans are made to associations under the Watershed Protection and Flood Prevention Act, as amended (Public Law 83-566), and resource conservation and development loans are made to associations under section 102 of Public Law 87-703, and other existing Department authorities.

Irrigation and Drainage Loans. Irrigation and drainage loans are made to organizations primarily composed of farmers, ranchers, certain Indian tribes, and other rural residents for projects which include: the application or establishment of soil conservation practices; the construction, improvement, or enlargement of facilities for drainage and the conservation, development, use or control of water, primarily serving farmers and other rural residents. The objectives may be met through such assistance as to a group of farmers and other rural residents to develop community irrigation dams and canals; a soil and water conservation district to purchase heavy earth-moving equipment; a community for drainage of land; a group of farmers to develop soil conservation measures such as terraces, shelter belts, and similar development. These loans are made at not less than the cost of money interest rate for 40 years or less.

Grazing Loans. Grazing loans are made to organizations primarily composed of farmers, ranchers, certain Indian tribes, and other rural residents to provide seasonal grazing for livestock belonging to members of the associations. Membership in an association permits a farmer or rancher to graze his livestock on association pasture for the grazing season and return them to his base unit for the balance of the year. Such a plan provides a farmer or rancher an opportunity to increase the size of his operation. These loans are made at not less than the cost of money interest rate for 40 years or less.

Indian Tribe Land Acquisition Loans. Public Law 91-229, approved April 11, 1970, authorized loans to any Indian tribe recognized by the Secretary of the Interior or tribal corporation established pursuant to the Indian Reorganization Act, which does not have adequate uncommitted funds, to acquire lands or interest in lands within the tribe's reservation or Alaskan Indian community, as determined by the Secretary of the Interior, for use of the tribe or the corporation or the members thereof. Loans are made for 40 years or less. The tribe is charged not more than the cost of money interest rate except that those tribes that are unable to pay the higher rate may be charged interest, initially, at a rate of 6 percent.

Operating Loans

Subtitle B of the Consolidated Farm and Rural Development Act contains the authorization for insured and guaranteed operating loans. Operating loans made by the Farmers Home Administration are accompanied by supervisory assistance in farm and financial management. Operating credit is needed by family farmers throughout the United States who are unable to obtain credit from private and cooperative sources to develop a reasonable standard of living. The use of operating loan funds for this purpose helps provide parity of opportunity for farm operators and encourages farm families to remain in rural areas. The Rural Development Act of 1972 authorized operating loans to be made on an insured basis or guaranteed basis.

Loans are made to assist (1) full-time and part-time farm operators continue and improve their farm and home operations, (2) part-time farm operators to convert their farming operations to full-time and to improve their income and level of living while continuing to live in rural areas, (3) young farmers who lack the necessary credit to acquire the resources needed for success, (4) farmers who are handicapped because of age, physical handicaps, or limited education or potential, to enable them to continue as self-supporting citizens and (5) rural youths.

Operating loans are made to farmers and ranchers, including individual partnerships, corporations and cooperatives operating family-size farms, who (1) are U.S. citizens or resident aliens, (2) have either training or farm experience and any other training or experience which is determined to be sufficient to assure reasonable prospects of success in the proposed operation, (3) are/or will become operators of not larger than family farms, except for rural youths, and (4) are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time.

Operating loans may be made for (1) paying costs incident to reorganizing a farming system for more profitable operations, (2) purchasing livestock, poultry and farm equipment, (3) purchasing feed, seed, fertilizer, insecticides, and farm supplies and to meet other essential operating expenses, including cash rent and costs incident to the production and harvesting of forestry products, (4) financing land and water development, use, and conservation, (5) developing recreation and other nonfarm enterprises, (6) refinancing existing indebtedness, (7) complying with certain safety standards, (8) financing other farm and home needs including but not limited to family subsistence, (9) operating enterprises by rural youths in connection with their participation in 4-H clubs, Future Farmers of America and other similar organizations, and (10) paying loan closing costs.

In no case may an operating loan be made which would result in a total principal loan balance outstanding in excess of $100,000 for insured loans and $200,000 for guaranteed loans. The amount of each operating loan is limited to the needs of the applicant and his ability to pay with due consideration given to the proposed farming program and the value of the chattel property, including crops, which is available as security.

Operating loans may be scheduled for payment over periods from 1 to 7 years depending on loan purposes. In some situations, they may be rescheduled for an additional 7 years. The borrower is charged not more than the cost of money interest rate for insured loans except for low-income, limited resource borrowers who may be charged interest initially at a rate of 6 percent. The interest rate for guaranteed loans is negotiated by the lender and the borrower.

Insured loan borrowers are encouraged to supplement their operating loans with credit from other sources when this is feasible. They are required to graduate to other credit sources when able to do so.

Emergency (Disaster) Loans

Subtitle C of the Consolidated Farm and Rural Development Act, as amended by Public Law 94-68, enacted on August 5, 1975, contains authorizations for insured and guaranteed emergency (EM) loans.

Emergency loans are made available in designated areas (counties) where property damage and/or severe production losses have occurred as a direct result of a natural disaster. Areas may be designated for emergency loan assistance by the President or FmHA State Directors.

Emergency loans are made to established eligible farmers, ranchers and aquaculture operators, partnerships and private domestic corporations may also qualify, providing they are primarily engaged in agricultural or aquacultural production, for actual losses, annual operating expenses, major adjustments, and other essential needs arising from natural disasters. The annual operating and major adjustment loans bear a market rate of interest as established periodically by the Secretary of Agriculture.

The interest rate is 3 percent on emergency loans for actual losses caused by disasters occurring between July 1, 1976, and September 30, 1978. The maximum loan for these losses is $250,000. The interest rate on loans for actual losses occurring on and after October 1, 1978 is 5 percent. Loans may be made to cover the actual dollar amount of losses suffered after September 30, 1978.

Actual loss loans are made for physical losses to repair, restore or replace damaged or destroyed farm property and supplies, and for production losses to compensate for loss of income based on reduced production of crops, livestock, and livestock products resulting from the disaster. Repayment terms vary according to the purposes of the loan and the projected reasonable repayment ability of the borrower. Loans for actual losses to crops, livestock, supplies and equipment may be scheduled for repayment in up to 7 years. These loans may be renewed for up to 2 years. Under some conditions a longer repayment period may be authorized, but not to exceed 20 years. Generally real estate will be needed as security when more than 7 years is authorized. Real estate loans will be scheduled for repayment up to 40 years. Annual operating expenses usually will be schedule for repayment each year when the principal income from the year's operations is received. The appropriation language makes funds available in such amounts as may be necessary to meet the needs resulting from natural disasters.

Applicants must be unable to obtain their needed credit from conventional lending sources, taking into consideration their total resources, in order to be eligible for most emergency loan assistance.

An applicant who qualifies for an emergency loan based on actual losses may also qualify for additional assistance at market rate to purchase livestock, poultry, or other animals and pay costs incident to reorganizing his farming system to make it a sound operation. The reorganized farming operation, however, must be approximately equivalent in earning capacity to the operation conducted prior to the disaster. Under certain conditions, loan funds may be used to buy essential home equipment and furnishing and to refinance debts.

Subsequent emergency loans to an indebted borrower for annual operating purposes may be made at prevailing market interest rates for each year up to 2 consecutive years after the disaster to permit the borrower sufficient time to recover from the disaster losses and return to his usual credit sources.

Ordinarily emergency loans are secured by liens on crops, livestock, farm machinery or farm real estate having sufficient equity to adequately secure the full amount of the loan. If the usual collateral cannot be provided because of the disaster losses, loans can in some cases be made on the collateral that is available and on the basis of the applicant's strong repayment ability.

Applications are filed in the local FmHA County Offices and are accepted for claimed physical losses for 9 months after the date of the emergency designation and for 12 months after the date of designation when production losses are claimed.

The Agency has proposed changes to improve the administration of the emergency loan program. Improved procedures for determining the availability of credit and the financial status of applicants is underway.

Emergency (Livestock) Loans

The Emergency Livestock Credit Act, Public Law 93-357, approved July 25, 1974, authorized the making of guaranteed loans to provide temporary financing to livestock producers and feeders. Loan terms were agreed upon between the borrower and the lender. The statutory period for guaranteed loans under the emergency livestock program expired September 30, 1979.

Economic Emergency Loans

Economic emergency loans make financial assistance available in the form of loans insured or guaranteed by FmHA to bona fide farmers and ranchers, including farm cooperatives and private domestic corporations and partnerships, who are primarily and directly engaged in agricultural production. The applicant for such a loan (A) needs the experience or training and resources necessary to assure a reasonable prospect for successful operation; (B) needs such credit in order to maintain a viable agricultural production operation; and (C) is unable at the time the loan application is filed to obtain sufficient credit from normal credit sources to finance actual needs at reasonable rates and terms due to national or areawide economic stress. Public Law 95-334, approved August 4, 1978, established the program through May 15, 1980.

Loans may be used for (1) refinancing outstanding indebtedness on farm or home real estate and other farm and essential home debts, (2) reorganization of the farming, ranching or aquaculture operation to provide an economically sound operating unit, (3) purchase of essential water rights, supplies and irrigation facilities, (4) purchase of essential livestock, poultry and farm equipment, (5) purchase of feed, seed, fertilizer, insecticides and farm supplies, (6) financing essential land and water development, use and conservation, (7) other essential farm, ranch and aquaculture needs including family subsistence, and (8) loan closing costs.

The total principal balance outstanding at any time on an economic emergency loan will not exceed $400,000. Borrowers indebted to FmHA for a farm ownership loan, operating loan or a soil and water loan may be considered for an economic emergency loan provided the total outstanding principal indebtedness to FmHA will not exceed $650,000. Emergency disaster and emergency livestock loans will not be considered in determining the $650,000 loan limitation on economic emergency loans.

Loans for operating purposes will be scheduled for repayment for up to 7 years although if unusual conditions exist, this period may be extended but for not more than 20 years. Loans for real estate purposes will be repaid in a period not to exceed 40 years. The interest rate charged for insured loans will be at the cost of money. The guaranteed loan interest rate will be negotiated between the lender and the borrower.

Watershed Works of Improvement and Flood Prevention Loans

Under Public Law 83-566, as amended, loans are made to local organizations for financing the local share of the cost of installing, repairing or improving works of improvement and water storage facilities, purchasing sites or rights-of-way and for related costs in approved watershed works of improvement and flood prevention projects. FmHA has been assigned responsibility for making these loans to sponsors of such projects approved for operation by the Soil Conservation Service. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for works of improvement. Public Law 92-419, approved August 30, 1972, provided for making such loans on an insured basis under the Agricultural Credit Insurance Fund.

These loans are repayable in not more than 50 years at an interest rate based on the average rate paid by the U. S. Treasury on obligations of similar maturity. The rate for the 1980 fiscal year is 7.210 percent. For any single plan for works of improvement, the amount of the loan may not exceed $10 million.

Resource Conservation and Development Loans

Under Public Law 87-703 and other existing Departmental authorities, loans are made to local sponsoring organizations when needed, for financing the local share of the cost of installing, repairing or improving works of improvement and water storage facilities, purchasing sites or rights-of-way and for related costs in approved resource conservation and development projects. The Farmers Home Administration has been assigned responsibility for making these loans to sponsors of resource conservation and development projects approved for operation by the Soil Conservation Service. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for development work. Public Law 92-419, approved August 30, 1972, provided for making such loans on an insured basis under the Agricultural Credit Insurance Fund.

These loans are repayable in not more than 30 years, with repayment of principal and interest deferred up to 5 years, if necessary. Loans bear interest at a rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. The rate for the 1980 fiscal year is 7.210 percent.

JUSTIFICATION OF DECREASES

The following adjustments result in a net decrease of $1,606,000,000 for loan programs financed through the Agricultural Credit Insurance Fund consisting of:

(1) A decrease of $500,000,000 for emergency disaster loans ($2,500,000,000 available in 1980).

The proposed appropriation language for emergency disaster loans would provide such sums as may be necessary to meet the needs resulting from natural disasters. The level of $2,000,000,000 reflects the anticipated level of emergency loans which may be required. The decrease from the estimated 1980 level ($500 million) due primarily to changes being proposed in the administration of the program. Proposed changes include improved improved procedures for determining the availability of credit and the financial status of the applicant.

(2) A decrease of $1,100,000,000 for economic emergency loans ($1,100,000,000 available in 1980).

The economic emergency loan program began with the passage of the Emergency Agricultural Credit Adjustment Act of 1978, P.L. 95-334, on August 4, 1978. The authority to insure or guarantee loans under this program is due to expire May 15, 1980.

(3) A decrease of $6,000,000 for watershed works of improvement loans ($25,600,000 available in 1980).

The decrease of $6,000,000 is due to a proposed reduction in construction starts for this program.

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STATUS OF PROGRAM

Agricultural Credit Insurance Fund

LOANS TO INDIVIDUALS

REAL ESTATE LOANS.

A total of $830,551,350 was obligated for real estate loans in 1979, including $763,164,770 for farm ownership loans. Within the total farm ownership loans, $5,322,820 was for nonfarm enterprise loans.

The Appropriation Act for 1980 provided for real estate loans totaling $949,600,000, including not less than $870,000,000 for farm ownership loans of which $820,000,000 is for insured loans and $50,000,000 is for guaranteed loans.

FARM OWNERSHIP LOANS (sec. 303).

1. Use of loans funds: The following tabulation shows a breakdown for initial and subsequent insured and guaranteed farm ownership loans for fiscal year 1979.

	1979 Actual	
	Number	Amount
	(Dollars in Millions)	
Farm Ownership Loans		
Initial.....	10,179	$667.7
Subsequent.....	2,389	95.5
Total.....	12,568	$763.2

2. Loan Activity: Insured loan activity for the last seven fiscal years is shown on the following table:

Fiscal Year	Insured Farm Ownership Loans		Total Initial and Subsequent Loans
	Total Initial Loans		
	Number	Amount	Amount
		(Dollars in Millions)	
1973	12,593	$356.1	$408.1
1974	8,728	291.5	352.2
1975	7,549	286.6	351.6
1976	8,583	367.2	435.0
1977	8,353	378.9	451.2
1978	9,384	474.3	550.8
1979	10,179	667.7	763.2

RECREATION LOANS TO INDIVIDUALS (sec. 304).

In fiscal year 1979, 20 initial loans were made for $1,858,250 and 9 subsequent loans for $337,690. The Appropriation Act for 1980 provided $2,400,000 for recreation loans to individuals.

SOIL AND WATER LOANS (sec. 304).

A total of $51,479,340 was obligated for soil and water loans to individuals in 1979.

1. Number and amount of loans: The following table shows the number and amount of initial and subsequent insured and guaranteed soil and water loans to individuals made in fiscal year 1979.

	1979 Actual	
	Number	Amount
	(Dollars in Thousands)	
Loans to Individuals:		
Soil and Water Loans		
Initial	2,146	$45,172.2
Subsequent	354	6,307.1
Total	2,500	$51,479.3

The Appropriation Act for 1980 provided $53,000,000 for soil and water loans to individuals.

LOANS TO ASSOCIATIONS AND GROUPS

IRRIGATION AND DRAINAGE AND GRAZING LOANS TO ASSOCIATIONS (sec. 306).

A total of $2,711,300 was obligated for these two types of insured loans to associations in 1979. Of this amount, $637,000 was obligated for loans to irrigation and drainage associations and $2,074,300 for loans to grazing associations.

1. Number and amount of loans: The following table shows the number and amount of such insured loans to associations made in fiscal year 1979.

	1979 Actual	
	Number	Amount
	(Dollars in thousands)	
Loans to Associations:		
Irrigation and Drainage		
Initial	4	$ 437.0
Subsequent	1	200.0
Subtotal	5	637.0
Grazing		
Initial	3	1,904.0
Subsequent	2	170.3
Subtotal	5	2,074.3
Total	10	$2,711.3

The Appropriation Act of 1980 provided $7,400,000 for loans to irrigation and drainage associations and $4,800,000 for loans to grazing associations.

INDIAN TRIBE LAND ACQUISITION LOANS (sec. 306).

In fiscal year 1979, one initial loan was made for $546,000 and six subsequent loans were made for $10,454,000. The Appropriation Act for 1980 provided $11,900,000 for Indian tribe land acquisition loans.

OPERATING LOANS (sec. 311).

A total of $894,753,900 was obligated for operating loans in 1979.

1. Number and amount of loans: The following tabulation shows the number and amount of initial and subsequent insured and guaranteed farm operating loans for fiscal year 1979.

	1979 Actual	
	Number	Amount
	(Dollars in millions)	
Farm Operating Loans:		
Initial.....	19,079	$552.6
Subsequent.....	18,863	342.2
Total.....	37,942	$894.8

2. Collections: A summary of the current and cumulative activity on operating loans is tabulated below.

Fiscal Year	Loan Advance	Principal Repayments	Interest Payments	Total Payments
	(Dollars in Millions)			
1973	$446.8	$292.3	$ 49.1	$341.4
1974	514.2	376.6	53.8	430.4
1975	526.3	352.9	60.5	413.4
1976	534.4	445.0	76.7	521.7
1977	542.3	495.7	86.8	582.5
1978	780.6	550.1	91.4	641.5
1979	855.2	661.6	103.7	765.3

The Appropriation Act of 1980 provided authority for a $875,000,000 loan level for operating loans of which $25,000,000 is for guaranteed loans.

EMERGENCY LOANS (sec. 321).

As of Sept. 30, 1979, the cumulative principal outstanding for emergency loans was $6.6 billion. Since the inception of the program loan advances have totaled $10.7 billion, and loan repayments have been $4.1 billion. Loan repayments do not include amounts written off under various authorities.

Loan Obligations: Emergency loans obligated from the Emergency Credit Revolving Fund during fiscal year 1973 and emergency loans obligated from the Agricultural Credit Insurance Fund from fiscal years 1973 through 1979 are shown below:

Fiscal Year	Initial		Subsequent		Total	
	Number	Amount	Number	Amount	Number	Amount
		(Dollars in thousands)				
1973	124,783	527,727	3,884	30,043	128,667	557,770
1974	22,016	117,362	418	10,975	22,434	128,337
1975	42,976	722,264	699	12,757	43,675	735,021
1976	11,880	321,396	4,998	156,316	16,878	477,712
1977	16,666	515,709	19,103	662,679	35,769	1,178,388
1978	48,166	1,558,224	40,953	1,853,585	89,119	3,411,808
1979	24,838	970,026	38,075	1,901,616	62,913	2,871,642

EMERGENCY LIVESTOCK LOANS.

Since the inception of the emergency livestock credit program on July 25, 1974, $1,045,858,130 has been obligated through September 30, 1979. Loan defaults by borrowers through the same period has been $16,631,590. In fiscal year 1979, 97 loans were made for $19,035,330. The statutory period for guaranteeing loans under the emergency livestock program expired September 30, 1979.

ECONOMIC EMERGENCY LOANS (sec. 202).

The economic emergency loan program began with the passage of the Emergency Agricultural Credit Adjustment Act of 1978, P.L. 95-334, on August 4, 1978. In fiscal year 1979, 47,302 loans were obligated in the amount of $3,089,485,930. The authority to insure or guarantee loans under this program is due to expire May 15, 1980.

WATERSHED WORKS OF IMPROVEMENT AND FLOOD PREVENTION LOANS (sec. 8-P.L. 83-566).

Number and amount of loans: The following table shows the number and amount of watershed works of improvement and flood prevention loans made in fiscal year 1979.

	1979 Actual	
	Number	Amount
	(Dollars in Thousands)	
Watershed works of improvement loans		
Initial	3	$4,666.7
Subsequent	2	151.3
Subtotal	5	4,818.0
Flood prevention loans		
Initial	--	--
Subsequent	--	--
Subtotal	--	--
Total	5	$4,818.0

Characteristics of loan requests: Applications for loans received by the Farmers Home Administration have varied greatly in amount. The applications now pending average about $250,000 each. Most applications have included requests for funds to purchase land easements or rights-of-way and pay legal fees and organization costs. The larger loan requests have also included funds to pay the local organizations' share of the installation costs of drainage channels, municipal water storage, irrigation works, recreational facilities, natural beauty and other multiple-purpose improvements. The Appropriation Act for 1980 provided $26,000,000 for watershed and flood prevention loans.

RESOURCE CONSERVATION AND DEVELOPMENT LOANS (sec. 102-P.L. 87-803).

Number and amount of loans: The following table shows the number and amount of resource conservation and development loans made in fiscal year 1979.

	1979 Actual	
	Number	Amount
	(Dollars in Thousands)	
Resource conservation and development loans		
Initial	9	1,858.9
Subsequent	1	18.8
Total	10	$1,877.7

The Appropriation Act for 1980 provided $4,000,000 for resource conservation and development loans.

FARMERS HOME ADMINISTRATION

Agricultural Credit Insurance Fund
Account

Farm Ownership Loans
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	16,844,700	18,500,000	18,500,000
Alaska	496,500	2,500,000	2,500,000
Arizona	5,728,820	7,000,000	7,000,000
Arkansas	32,931,170	24,000,000	24,000,000
California	9,691,960	12,000,000	12,000,000
Colorado	11,471,210	13,000,000	13,000,000
Connecticut	2,029,340	3,000,000	3,000,000
Delaware	2,369,580	3,000,000	3,000,000
Florida	8,674,820	10,000,000	10,000,000
Georgia	18,119,880	20,000,000	20,000,000
Hawaii	2,398,100	6,500,000	6,500,000
Idaho	19,097,540	21,000,000	21,000,000
Illinois	30,269,360	33,000,000	33,000,000
Indiana	19,892,430	23,000,000	23,000,000
Iowa	33,550,540	38,000,000	38,000,000
Kansas	28,131,290	31,000,000	31,000,000
Kentucky	23,520,350	27,000,000	27,000,000
Louisiana	13,165,020	14,500,000	14,500,000
Maine	8,169,820	9,000,000	9,000,000
Maryland	6,414,160	8,000,000	8,000,000
Massachusetts	2,509,000	3,500,000	3,500,000
Michigan	6,440,210	19,000,000	19,000,000
Minnesota	30,058,960	33,000,000	33,000,000
Mississippi	22,021,320	24,000,000	24,000,000
Missouri	36,673,800	41,000,000	41,000,000
Montana	12,150,900	14,000,000	14,000,000
Nebraska	29,458,790	33,000,000	33,000,000
Nevada	1,867,000	2,750,000	2,750,000
New Hampshire	1,309,630	2,500,000	2,500,000
New Jersey	3,427,130	4,000,000	4,000,000
New Mexico	7,238,160	8,000,000	8,000,000
New York	14,954,820	17,000,000	17,000,000
North Carolina	23,409,840	26,000,000	26,000,000
North Dakota	26,328,270	29,000,000	29,000,000
Ohio	15,337,420	19,000,000	19,000,000
Oklahoma	29,678,160	32,000,000	32,000,000
Oregon	10,041,040	12,000,000	12,000,000
Pennsylvania	13,550,730	15,000,000	15,000,000
Rhode Island	877,500	2,000,000	2,000,000
South Carolina	11,656,750	13,000,000	13,000,000
South Dakota	27,412,550	29,000,000	29,000,000
Tennessee	21,654,890	25,000,000	25,000,000
Texas	32,760,170	39,000,000	39,000,000
Utah	5,774,790	7,000,000	7,000,000
Vermont	6,868,240	8,000,000	8,000,000
Virginia	11,655,980	13,500,000	13,500,000
Washington	11,899,810	13,000,000	13,000,000
West Virginia	7,279,800	9,000,000	9,000,000
Wisconsin	29,642,930	34,000,000	34,000,000
Wyoming	6,356,060	7,500,000	7,500,000
Puerto Rico	9,662,530	10,500,000	10,500,000
Virgin Islands	241,000	750,000	750,000
Total	763,164,770	870,000,000	870,000,000

FARMERS HOME ADMINISTRATION

Agricultural Credit Insurance Fund
Account

Recreation Loans (Individual)
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	--	50,000	50,000
California	--	50,000	50,000
Connecticut	180,000	100,000	100,000
Florida	180,000	150,000	150,000
Hawaii	--	50,000	50,000
Idaho	123,210	100,000	100,000
Indiana	157,500	150,000	150,000
Kentucky	--	50,000	50,000
Maine	--	50,000	50,000
Massachusetts	92,000	100,000	100,000
Michigan	200,000	150,000	150,000
Minnesota	--	50,000	50,000
Mississippi	26,000	100,000	100,000
Missouri	--	50,000	50,000
Montana	95,000	100,000	100,000
Nebraska	--	50,000	50,000
New Jersey	--	50,000	50,000
New York	70,800	75,000	75,000
North Carolina	232,490	200,000	200,000
Oklahoma	47,800	100,000	100,000
Oregon	--	50,000	50,000
South Dakota	--	50,000	50,000
Tennessee	--	50,000	50,000
Texas	--	75,000	75,000
Virginia	--	50,000	50,000
Washington	738,840	250,000	250,000
Puerto Rico	52,300	100,000	100,000
Total	2,195,940	2,400,000	2,400,000

FARMERS HOME ADMINISTRATION

Agricultural Credit Insurance Fund
Account

Soil and Water Loans
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	257,770	400,000	400,000
Alaska	--	25,000	25,000
Arizona	1,708,200	1,000,000	1,000,000
Arkansas	1,541,180	1,800,000	1,800,000
California	1,751,580	1,900,000	1,900,000
Colorado	1,233,280	1,000,000	1,000,000
Connecticut	5,300	25,000	25,000
Delaware	104,200	125,000	125,000
Florida	645,930	750,000	750,000
Georgia	5,102,320	4,000,000	4,000,000
Hawaii	--	75,000	75,000
Idaho	4,560,600	4,500,000	4,500,000
Illinois	676,290	725,000	725,000
Indiana	534,370	550,000	550,000
Iowa	909,390	900,000	900,000
Kansas	1,721,440	1,800,000	1,800,000
Kentucky	874,530	1,000,000	1,000,000
Louisiana	709,560	700,000	700,000
Maine	19,400	25,000	25,000
Maryland	67,120	75,000	75,000
Massachusetts	36,550	50,000	50,000
Michigan	2,258,740	2,400,000	2,400,000
Minnesota	1,357,690	1,500,000	1,500,000
Mississippi	966,880	950,000	950,000
Missouri	2,981,610	3,000,000	3,000,000
Montana	991,140	1,250,000	1,250,000
Nebraska	6,161,880	5,200,000	5,200,000
Nevada	1,362,570	1,250,000	1,250,000
New Hampshire	--	25,000	25,000
New Jersey	47,250	100,000	100,000
New Mexico	692,090	700,000	700,000
New York	1,585,570	2,000,000	2,000,000
North Carolina	673,610	800,000	800,000
North Dakota	616,520	650,000	650,000
Ohio	350,900	375,000	375,000
Oklahoma	1,027,090	1,200,000	1,200,000
Oregon	1,508,670	1,800,000	1,800,000
Pennsylvania	323,650	350,000	350,000
Rhode Island	--	25,000	25,000
South Carolina	103,660	150,000	150,000
South Dakota	648,710	650,000	650,000
Tennessee	132,300	150,000	150,000
Texas	3,099,200	4,500,000	4,500,000
Utah	211,750	275,000	275,000
Vermont	138,830	150,000	150,000
Virginia	--	150,000	150,000
Washington	532,160	600,000	600,000
West Virginia	18,050	50,000	50,000
Wisconsin	699,680	850,000	850,000
Wyoming	153,230	175,000	175,000
Puerto Rico	347,900	350,000	350,000
Virgin Islands	29,000	50,000	50,000
Total	51,479,340	53,100,000	53,100,000

FARMERS HOME ADMINISTRATION

Agricultural Credit Insurance Fund
Account

Irrigation & Drainage Loans
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Idaho	--	900,000	900,000
Illinois	--	400,000	400,000
Louisiana	335,000	750,000	750,000
Montana	--	500,000	500,000
Nebraska	--	500,000	500,000
Nevada	--	200,000	200,000
New Mexico	--	200,000	200,000
Oregon	230,000	1,000,000	1,000,000
South Dakota	--	1,500,000	1,500,000
Texas	--	500,000	500,000
Utah	22,000	300,000	300,000
Washington	50,000	250,000	250,000
Wyoming	--	400,000	400,000
Total	637,000	7,400,000	7,400,000

FARMERS HOME ADMINISTRATION

Agricultural Credit Insurance Fund
Account

Grazing Association Loans
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Arkansas	450,000	300,000	300,000
Idaho	--	--	500,000
Montana	850,000	1,500,000	500,000
Nebraska	--	--	400,000
New Mexico	--	1,750,000	1,000,000
Oklahoma	--	--	850,000
Oregon	604,000	500,000	500,000
South Dakota	170,300	500,000	250,000
Wyoming	--	250,000	500,000
Total	2,074,300	4,800,000	4,800,000

FARMERS HOME ADMINISTRATION

Agricultural Credit Insurance Fund
Account

Indian Land Acquisition Loans
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Arizona	--	500,000	500,000
Idaho	1,282,000	1,000,000	1,000,000
Montana	--	3,000,000	3,000,000
North Dakota	--	1,500,000	1,500,000
Oklahoma	--	250,000	250,000
Oregon	--	750,000	750,000
South Dakota	8,172,000	3,650,000	3,650,000
Washington	546,000	500,000	500,000
Wisconsin	--	250,000	250,000
Wyoming	1,000,000	500,000	500,000
Total	11,000,000	11,900,000	11,900,000

FARMERS HOME ADMINISTRATION

Agricultural Credit Insurance Fund
Account

Farm Operating Loans
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	18,125,950	19,000,000	19,000,000
Alaska	272,700	300,000	300,000
Arizona	3,823,550	4,100,000	4,100,000
Arkansas	23,702,740	23,000,000	23,000,000
California	10,575,110	12,000,000	12,000,000
Colorado	10,238,060	10,000,000	10,000,000
Connecticut	1,851,900	1,500,000	1,500,000
Delaware	1,337,090	1,300,000	1,300,000
Florida	15,190,060	14,500,000	14,500,000
Georgia	29,364,870	29,000,000	29,000,000
Hawaii	538,920	700,000	700,000
Idaho	21,161,380	20,000,000	20,000,000
Illinois	28,339,130	28,000,000	28,000,000
Indiana	20,622,550	21,000,000	21,000,000
Iowa	36,565,510	36,300,000	36,300,000
Kansas	19,838,070	22,000,000	22,000,000
Kentucky	22,727,910	23,000,000	23,000,000
Louisiana	45,091,410	40,000,000	40,000,000
Maine	10,493,810	11,000,000	11,000,000
Maryland	6,696,990	6,500,000	6,500,000
Massachusetts	1,920,860	1,800,000	1,800,000
Michigan	21,480,220	20,500,000	20,500,000
Minnesota	35,538,070	33,500,000	33,500,000
Mississippi	28,978,450	28,900,000	28,900,000
Missouri	34,543,280	34,000,000	34,000,000
Montana	10,665,400	10,000,000	10,000,000
Nebraska	24,289,800	23,000,000	23,000,000
Nevada	966,150	1,000,000	1,000,000
New Hampshire	995,400	1,000,000	1,000,000
New Jersey	4,289,820	4,000,000	4,000,000
New Mexico	6,575,790	6,000,000	6,000,000
New York	21,701,510	20,500,000	20,500,000
North Carolina	43,945,690	41,000,000	41,000,000
North Dakota	27,581,550	26,000,000	26,000,000
Ohio	8,387,050	12,000,000	12,000,000
Oklahoma	30,637,330	29,000,000	29,000,000
Oregon	9,313,330	9,200,000	9,200,000
Pennsylvania	21,010,870	20,000,000	20,000,000
Rhode Island	70,500	200,000	200,000
South Carolina	17,417,970	17,200,000	17,200,000
South Dakota	33,134,160	30,000,000	30,000,000
Tennessee	17,614,750	20,000,000	20,000,000
Texas	74,971,320	72,000,000	72,000,000
Utah	4,141,270	4,200,000	4,200,000
Vermont	5,556,650	5,500,000	5,500,000
Virginia	15,716,820	15,500,000	15,500,000
Washington	10,709,690	10,500,000	10,500,000
West Virginia	5,348,150	6,000,000	6,000,000
Wisconsin	41,242,560	38,500,000	38,500,000
Wyoming	4,631,050	4,600,000	4,600,000
Puerto Rico	4,707,030	6,000,000	6,000,000
Virgin Islands	113,700	200,000	200,000
Amer. Samoa	--	--	--
Guam	--	--	--
Trust Territories	--	--	--
Total	894,753,900	875,000,000	875,000,000

FARMERS HOME ADMINISTRATION

Agricultural Credit Insurance Fund
Account

Emergency Loans
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	101,583,320		
Arizona	106,816,960		
Arkansas	155,378,060		
California	425,028,800		
Colorado	13,933,250		
Connecticut	2,115,680		
Delaware	28,000		
Florida	63,192,650		
Georgia	299,993,780		
Hawaii	1,435,270		
Idaho	12,442,970		
Illinois	33,855,230		
Indiana	8,029,290		
Iowa	16,566,470		
Kansas	20,296,370		
Kentucky	42,305,660		
Louisiana	193,587,580		
Maine	21,498,070		
Maryland	861,800		
Massachusetts	1,331,550		
Michigan	42,921,580		
Minnesota	15,798,520		
Mississippi	291,182,820		
Missouri	9,411,400		
Montana	30,926,900		
Nebraska	24,195,210		
Nevada	1,285,000		
New Jersey	3,350,500		
New Mexico	19,300,140		
New York	37,250,920		
North Carolina	68,495,860		
North Dakota	30,266,170		
Ohio	7,402,730		
Oklahoma	155,420,060		
Oregon	45,560,500		
Pennsylvania	4,690,970		
Rhode Island	12,770		
South Carolina	50,239,410		
South Dakota	31,168,410		
Tennessee	45,297,790		
Texas	393,678,790		
Utah	1,142,730		
Vermont	48,700		
Virginia	12,510,430		
Washington	14,183,250		
West Virginia	812,500		
Wisconsin	8,892,420		
Wyoming	5,914,520		
Total	2,871,641,760	2,500,000,000	2,000,000,000

FARMERS HOME ADMINISTRATION

Agricultural Credit Insurance Fund
Account

Emergency Livestock Loans
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Arizona	350,000	--	--
California	648,410	--	--
Colorado	1,040,000	--	--
Florida	442,000	--	--
Idaho	500,000	--	--
Illinois	340,000	--	--
Iowa	527,200	--	--
Kansas	1,648,000	--	--
Louisiana	310,000	--	--
Michigan	2,034,000	--	--
Minnesota	388,000	--	--
Mississippi	302,500	--	--
Misouri	350,000	--	--
Montana	730,210	--	--
Nebraska	128,000	--	--
New Mexico	1,057,410	--	--
New York	919,000	--	--
North Carolina	350,000	--	--
Oklahoma	2,122,560	--	--
Oregon	118,760	--	--
South Dakota	377,500	--	--
Tennessee	692,500	--	--
Texas	1,957,690	--	--
Washington	958,590	--	--
Wisconsin	43,000	--	--
Wyoming	700,000	--	--
Total	19,035,330	--	--

FARMERS HOME ADMINISTRATION

Agricultural Credit Insurance Fund
Account

Economic Emergency Loans
Program

Obligated by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	22,779,850		
Arizona	30,448,170		
Arkansas	109,743,890		
California	62,185,400		
Colorado	54,133,090		
Connecticut	7,230,060		
Delaware	4,051,750		
Florida	50,859,670		
Georgia	59,557,250		
Hawaii	998,500		
Idaho	133,565,380		
Illinois	127,704,790		
Indiana	132,050,600		
Iowa	141,705,730		
Kansas	96,223,620		
Kentucky	96,438,700		
Louisiana	74,022,880		
Maine	9,024,770		
Maryland	25,632,720		
Massachusetts	5,575,870		
Michigan	84,024,030		
Minnesota	129,746,110		
Mississippi	38,639,220		
Missouri	115,085,470		
Montana	41,792,250		
Nebraska	170,888,660		
Nevada	8,994,100		
New Hampshire	539,500		
New Jersey	1,776,080		
New Mexico	23,668,920		
New York	90,727,490		
North Carolina	96,994,550		
North Dakota	76,261,790		
Ohio	41,747,960		
Oklahoma	183,949,570		
Oregon	34,218,060		
Pennsylvania	56,316,910		
Rhode Island	123,000		
South Carolina	16,747,140		
South Dakota	102,907,400		
Tennessee	99,787,000		
Texas	114,947,420		
Utah	12,759,960		
Vermont	6,384,930		
Virginia	36,371,390		
Washington	76,943,910		
West Virginia	7,326,230		
Wisconsin	142,398,460		
Wyoming	17,680,190		
Puerto Rico	15,805,540		
Total	3,089,485,930	1,100,000,000 a/	-- b/

a/ Cannot be distributed by geographic area at this time.
b/ Program authorization expires May 15, 1980.

FARMERS HOME ADMINISTRATION

Agricultural Credit Insurance Fund
Account

Watershed Protection and Flood Prevention Loans
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	--	400,000	250,000
Arkansas	75,000	750,000	500,000
California	--	500,000	500,000
Colorado	--	750,000	500,000
Georgia	--	250,000	250,000
Idaho	--	250,000	250,000
Illinois	320,000	500,000	500,000
Indiana	--	500,000	250,000
Iowa	346,700	1,500,000	1,000,000
Kansas	--	2,000,000	1,500,000
Kentucky	--	1,000,000	500,000
Louisiana	--	500,000	250,000
Maryland	--	500,000	250,000
Minnesota	--	750,000	500,000
Mississippi	--	1,750,000	1,000,000
Missouri	--	500,000	500,000
Nebraska	--	350,000	250,000
New York	--	750,000	750,000
North Carolina	76,300	500,000	500,000
Oklahoma	--	2,000,000	1,750,000
Oregon	4,000,000	6,000,000	5,000,000
South Carolina	--	1,500,000	1,000,000
Tennessee	--	500,000	500,000
Texas	--	500,000	500,000
West Virginia	--	500,000	250,000
Wisconsin	--	500,000	500,000
Puerto Rico	--	500,000	500,000
Total	4,818,000	26,000,000	20,000,000

FARMERS HOME ADMINISTRATION

Agricultural Credit Insurance Fund
Account

Resource Conservation & Development Loans
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	--	200,000	200,000
Arkansas	--	100,000	100,000
California	--	150,000	150,000
Colorado	--	100,000	100,000
Florida	--	100,000	100,000
Hawaii	--	100,000	100,000
Idaho	400,000	300,000	300,000
Illinois	--	100,000	100,000
Maine	--	50,000	50,000
Massachusetts	--	100,000	100,000
Montana	33,000	150,000	150,000
New Hampshire	--	50,000	50,000
New Mexico	950,000	500,000	500,000
Oklahoma	--	100,000	100,000
Oregon	--	200,000	200,000
Pennsylvania	--	100,000	100,000
South Dakota	--	250,000	250,000
Tennessee	--	200,000	200,000
Utah	--	150,000	150,000
Vermont	--	100,000	100,000
Washington	--	100,000	100,000
Wisconsin	13,800	100,000	100,000
Wyoming	480,940	500,000	500,000
Puerto Rico	--	200,000	200,000
Total	1,877,740	4,000,000	4,000,000

FARMERS HOME ADMINISTRATION

The 1981 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Development Insurance Fund

For an additional amount to reimburse the rural development insurance fund for interest subsidies and losses sustained in prior years, but not previously reimbursed, in carrying out the provisions of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1988(a)), [$91,874,000] $143,282,000.

For loans to be insured, or made to be sold and insured, under this fund in accordance with and subject to the provisions of 7 U.S.C. 1928 and 86 Stat. 661-664, as follows: insured water and sewer facility loans, $700,000,000; industrial development loans, [$1,100,000,000] $936,000,000 of which $10,000,000 shall be for insured loans and [$1,090,000,000] $926,000,000 shall be for guaranteed loans; and insured community facility loans, [$250,000,000] $240,000,000.

In sum, during 1981, gross obligations for the principal amount of direct loans shall not exceed $950,000,000, and total commitments to guarantee loans shall not exceed $926,000,000 of contingent liability for loan principal.

The addition of this language is part of the new OMB Federal Credit Control procedures and is intended to provide clarity as to the gross loan levels reflected in the direct and guaranteed loan categories.

Rural Development Insurance Fund

(a) Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1980	$91,874,000
Budget Estimate, 1981	143,282,000
Increase in Appropriation	+51,408,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1979	1980	Increase or Decrease	1981 (estimated)
Reimbursement for losses:				
Community Facilities				
Water Supply	$70,955,000	$52,162,000	$+23,799,000	$75,961,000
Waste Disposal	16,196,000	13,664,000	+12,655,000	26,319,000
Combination Water Supply and Waste Disposal	7,977,000	6,951,000	+3,686,000	10,637,000
Community Facilities: Other than Water Waste Loans	9,579,000	14,024,000	+8,204,000	22,228,000
Business and Industrial Loans	2,569,000	5,073,000	+3,064,000	8,137,000
Total appropriation	107,276,000	91,874,000	+51,408,000 (1)	143,282,000

EXPLANATION OF PROGRAM

This appropriation is proposed to reimburse the Rural Development Insurance Fund for funded interest subsidies and losses incurred in fiscal year 1979.

JUSTIFICATION OF INCREASE

(1) An increase of $51,408,000 for reimbursement of interest subsidies and losses incurred in 1979 ($91,874,000 available in 1980 for interest subsidies and losses incurred in 1978).

Need for Change. The amount of the reimbursement results primarily from the difference between interest rates charged to borrowers and the rate which the Government must pay for its own borrowing. Many of the loans made from this fund are subject to an interest rate ceiling which was set by Statute in July 1954. Interest losses in FY 1979 amounted to $132,343,000, estimated for FY 1980 is $193,454,000 and for FY 1981 $229,473,000.

Nature of Change. The amount requested will reimburse the Rural Development Insurance Fund for interest subsidies and losses incurred through September 30, 1979.

An analysis by loan program of the accrued operating deficit, exclusive of unfunded losses, is shown in the following table. In accordance with the accounting principles and standards followed by FmHA, this schedule is prepared on an accrual basis.

Rural Development Insurance Fund

Operating Income and Expense Statement
(Dollars in Thousands)

	Income			Expense				Net Total
	Interest	Other	Total	Interest	Write-offs	Other	Total	
1979 Actual								
Loans:								
Community Facilities:								
Water Supply	103,238	9	103,247	178,150	12	1,045	179,207	-75,961
Waste Disposal	35,772	--	35,772	61,729	--	362	62,091	-26,319
Combination Water Supply and Waste Disposal	14,457	--	14,457	24,947	--	146	25,094	-10,637
Community Facilities: Other than Water and Waste Loans	30,212	--	30,212	52,134	--	306	52,439	-22,228
Business and Industrial Loans	3,818	2,998	6,815	2,879	—	12,074	14,953	-8,137
TOTAL	187,496	3,007	190,503	319,839	12	13,933	333,784	-143,282
1980 Estimate								
Loans:								
Community Facilities:								
Water Supply	127,281	5	127,286	236,421	11	6	236,438	-109,152
Waste Disposal	44,121	--	44,121	81,920	--	1	81,921	-37,800
Combination Water Supply and Waste Disposal	17,787	--	17,787	33,107	--	1	33,108	-15,321
Community Facilities: Other than Water and Waste Loans	37,191	--	37,191	69,186	--	--	69,186	-31,995
Business and Industrial Loans	4,620	3,010	7,630	3,820	—	20,000	23,820	-16,190
TOTAL	231,000	3,015	234,015	424,454	11	20,008	444,473	-210,458

Rural Development Insurance Fund

Operating Income and Expense Statement - Continued
(Dollars in Thousands)

	Income			Expense				Net Total
	Interest	Other	Total	Interest	Write-offs	Other	Total	
1981 Estimate								
Loans:								
Community Facilities:								
Water Supply	154,997	4	155,001	284,501	10	6	284,517	-129,516
Waste Disposal	53,728	--	53,728	98,579	--	1	98,580	-44,852
Combination Water Supply and Waste Disposal	21,660	--	21,660	39,840	--	1	39,841	-18,181
Community Facilities:								
Other than Water and Waste Loans	45,289	--	45,289	83,256	--	--	83,256	-37,967
Business and Industrial Loans	5,626	4,100	9,726	4,597	—	28,000	32,597	-22,871
TOTAL	281,300	4,104	285,404	510,773	10	28,008	538,791	-253,387

The following schedules present an analysis of outlays by loan program for fiscal years 1979, 1980, and 1981.

Rural Development Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1979 Actual
(In Thousands of Dollars)

	Water Supply Loans	Waste Disposal Loans	Combined Water Supply & Waste Disposal Loans	Community Facility Loans	Business & Industrial Loans	Total
Funds for program operation:						
Funds expended:						
Loans made by the fund	$363,672	$163,723	$ 46,987	$173,954	$ 933	$749,269
Purchase of certificates of beneficial ownership	150,474	52,139	21,072	44,034	2,431	270,150
Purchase of loans	9,821	2,642	417	- -	- -	12,880
Collections disbursed to investors	13,293	1,953	1,280	- -	- -	16,526
Interest expense	171,976	59,154	24,037	44,591	2,478	302,235
Investment in guaranteed loans	- -	- -	- -	- -	34,931	34,931
Loss settlement, guaranteed loans	- -	- -	- -	- -	12,058	12,058
Other	60,933	20,392	8,479	16,529	4,537	110,871
Total funds expended	770,169	300,003	102,272	279,108	57,368	1,508,920
Funds received:						
Repayments on loans	-24,076	-12,735	-3,404	-8,205	-817	-49,238
Payment of interest on loans	-91,981	-31,310	-13,651	-26,568	-3,013	-166,524
Sale of certificates of beneficial ownership	-545,913	-189,159	-76,447	-159,755	-8,821	-980,093
Sale of loans	- -	- -	- -	- -	- -	- -
Collections received for investors	-13,428	-2,122	-1,340	- -	- -	-16,890
Payment on investment in guaranteed loans	- -	- -	- -	- -	-462	-462
Insurance premiums and guarantee fees	-6	- -	- -	- -	-9,061	-9,067
Other	-76,159	-25,353	-10,567	-20,548	-2,030	-134,656
Total funds received	-751,562	-260,679	-105,409	-215,076	-24,204	-1,356,930
Outlays	18,607	39,324	-3,137	64,032	33,164	151,990

Rural Development Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1980 Estimate
(In Thousands of Dollars)

	Water Supply Loans	Waste Disposal Loans	Combined Water Supply & Waste Disposal Loans	Community Facility Loans	Business & Industrial Loans	Total
Funds for program operation:						
Funds expended:						
Loans made by the fund	$420,889	$171,246	$ 60,180	$230,814	$19,188	$ 902,317
Purchase of certificates of beneficial ownership	257,043	89,065	35,995	75,221	4,153	461,477
Purchase of loans	17,556	4,717	736	- -	- -	23,009
Collections disbursed to investors	13,668	2,006	1,326	- -	- -	17,000
Interest expense	203,539	70,112	28,259	52,942	2,862	357,714
Investment in guaranteed loans	- -	- -	- -	- -	50,000	50,000
Loss settlement, guaranteed loans	- -	- -	- -	- -	18,000	18,000
Other	1,873	627	261	509	80	3,350
Total funds expended	914,568	337,773	126,757	359,486	94,283	1,832,867
Funds received:						
Repayments on loans	-29,951	-15,864	-4,226	-10,229	-980	-61,250
Payment of interest on loans	-110,124	-37,506	-16,359	-31,920	-3,591	-199,500
Sale of certificates of beneficial ownership	-724,246	-275,586	-101,687	-316,683	-23,929	-1,442,131
Sale of loans	-7,630	-2,050	-320	- -	- -	-10,000
Collection received for investors	-13,118	-2,079	-1,303	- -	- -	-16,500
Payment on investment in guaranteed loans	- -	- -	- -	- -	-900	-900
Insurance premiums and guarantee fees	-6	- -	- -	- -	-10,730	-10,736
Other	-1,047	-348	-144	-283	-28	-1,850
Total funds received	-886,122	-333,433	-124,039	-359,115	-40,158	-1,742,867
Outlays	28,446	4,340	2,718	371	54,125	90,000

Rural Development Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1981 Estimate
(In Thousands of Dollars)

	Water Supply Loans	Waste Disposal Loans	Combined Water Supply & Waste Disposal Loans	Community Facility Loans	Business & Industrial Loans	Total
Funds for program operation:						
Funds expended:						
Loans made by the fund	$ 494,989	$196,364	$ 65,363	$266,763	$ 8,000	$1,031,479
Purchase of certificates of beneficial ownership	358,608	124,258	50,218	104,943	5,794	643,821
Purchase of loans	17,371	4,667	729	- -	- -	22,767
Collections disbursed to investors	13,266	1,947	1,287	- -	- -	16,500
Interest expense	262,218	90,325	36,406	68,204	3,687	460,840
Investment in guaranteed loans	- -	- -	- -	- -	50,000	50,000
Loss settlement, guaranteed loans	- -	- -	- -	- -	25,000	25,000
Other	1,845	617	257	502	79	3,300
Total funds expended	1,148,297	418,178	154,260	440,412	92,560	2,253,707
Funds received:						
Repayments on loans	-36,235	-19,192	-5,113	-12,375	-1,185	-74,100
Payment of interest on loans	-132,480	-45,120	-19,680	-38,400	-4,320	-240,000
Sale of certificates of beneficial ownership	-872,459	-325,289	-116,310	-371,706	-13,794	-1,699,558
Sale of loans	-6,867	-1,845	-288	- -	- -	-9,000
Collections received for investors	-12,720	-2,016	-1,264	- -	- -	-16,000
Payment on investment in guaranteed loans	- -	- -	- -	- -	-1,800	-1,800
Insurance premiums and guarantee fees	-4	- -	- -	- -	-11,005	-11,009
Other	-1,486	-493	-205	-402	-39	-2,625
Total funds received	-1,062,251	-393,955	-142,860	-422,883	-32,143	-2,054,092
Outlays	86,046	24,223	11,400	17,529	60,417	199,615

The following schedule presents an analysis of change in the cash position of the fund.

Rural Development Insurance Fund

Change in Cash Position of the Fund
(In Thousands of Dollars)

	1979 Actual	1980 Estimated	1981 Estimated
Cash balance, beginning of year.....	$10,618	$40,904	$42,778
Outlays.....	-151,990	-90,000	-199,615
Funds for financing:			
Treasury borrowings.....	75,000	--	150,000
Appropriation for reimbursement of losses.....	107,276	91,874	143,282
Repayment of borrowings from Treasury.....	--	--	--
Net financing.....	182,276	91,874	293,282
Cash balance, end of year.....	40,904	42,778	136,445

As of September 30, 1981, the principal amount of contingent liabilities under insurance programs is estimated to be $8,939.7 million.

(b) Loan Levels
(In Thousands of Dollars)

	1979 Actual	1980 Estimated	Change 1981 Over 1980	1981 Estimated
Rural Development Assistance:				
Water and waste disposal loans:				
Water supply.....	$532,729	$413,000	--	$413,000
Waste disposal.....	292,829	231,000	--	231,000
Combination water supply and waste disposal.....	74,442	56,000	--	56,000
Subtotal, water and waste disposal loans.....	900,000	700,000	--	700,000
Community facility loans-FmHA....	246,999	240,000	--	240,000
Community facility loans-REA a/..	3,000	--	--	--
Business & Industrial loans-FmHA.	1,097,377	1,076,000	$-140,000(1)	936,000
Business & Industrial loans-REA a/	2,592	--	--	--
Total.....	2,249,968	2,016,000	-140,000	1,876,000

The interest subsidy associated with the fiscal year 1981 total program level is estimated to be $98 million over the next 5 years.

a/ In 1979, loans for community antenna television services and facilities were made by Rural Electrification Administration (REA) and financed by the Rural development insurance fund. REA will establish a fund for these loans in 1980 and the loans will be transferred to the new fund. Also, $10,000,000 of the community facility insured loan authorization and $24,000,000 of the industrial development guaranteed loan authorization for 1980 will be transferred to REA.

EXPLANATION OF PROGRAM

The Rural Development Act of 1972 authorized the establishment of the Rural Development Insurance Fund under section 309A of the Consolidated Farm and Rural Development Act. This Act provided for transfer to the Rural Development Insurance Fund the assets and liabilities of the Agricultural Credit Insurance Fund applicable to loans for water systems and waste disposal facilities. This fund is used to insure or guarantee loans related to water and waste disposal facilities, the development of rural business, community facilities, pollution abatement, and economic development in rural areas.

1. Water and waste disposal systems loans. Loans are made to organizations, including certain Indian tribes and corporations not operated for profit, and public and quasi-public agencies, for the development, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas. Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which applicants are located for loans for similar purposes and periods of time. Loans are repayable in not more than 40 years and bear interest at a 5 percent rate.

2. Community facility loans. Loans are made to organizations, including certain Indian tribes and corporations not operated for profit, and public and quasi-public agencies, to construct, enlarge, extend, or otherwise improve community facilities providing essential services to rural residents. Such facilities include those providing or supporting overall community development such as fire and rescue services, health care, transportation, and community, social, cultural, and recreational benefits. Loans are made for facilities which primarily serve rural residents of open country and rural towns and villages of not more than 10,000 population.

   Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which applicants are located for loans for similar purposes and periods of time. Loans are repayable in not more than 40 years and bear interest at a 5 percent rate.

3. Business and industrial development loans. These loans are made to public, private, or cooperative organizations organized for profit or nonprofit, to certain Indian tribes, or to individuals for the purpose of improving, developing, or financing business, industry, and employment, or improving the economic and environmental climate in rural areas. Such purposes include financing business and industrial acquisition, construction, enlargement, repair or modernization; financing the purchase and development of land, easements, rights-of-way, buildings, equipment, facilities, leases, machinery, supplies and materials; and payment of start-up costs and supplying working capital. Industrial development loans may be made in any area that is not within the outer boundary of any city having a population of 50,000 or more and its immediately adjacent urbanized and urbanizing areas with a population density of more than 100 persons per square mile. Special consideration for such loans is given to rural areas and cities having a population of 25,000 or less. To obtain a loan, a borrower must have the legal capacity necessary for constructing, operating, and maintaining the proposed facility and for obtaining, securing, and repaying the loan. A borrower must be financially sound and so organized and managed that efficient service will be provided.

Loans may be fully insured by FmHA or guaranteed by FmHA not to exceed 90 percent of the loss. Guaranteed loans are repayable in not more than 30 years, depending on the loan purpose, and bear interest at a rate agreed upon by the lender and borrower. Insured loans are repayable in not more than 30 years. Insured loan interest rates, except for public bodies, are based on rates paid by the U. S. Treasury on obligations of similar maturity plus an increment to cover administrative costs. Insured loans to public bodies borrowing to install community facilities necessary for community development are made at 5% with maximum maturity of 40 years.

JUSTIFICATION OF DECREASE

(1) A decrease of $140,000,000 for business and industrial loans ($1,076,000,000 available in 1980).

Need for Change. The 1981 budget request provides for a decrease of $140,000,000 for guaranteed loans. Under the current financial market conditions, interest rates are increasing considerably thus affecting business and industrial loan applicants seeking expansion in business. It is felt that the higher interest rates will produce either a static demand or possible decline in demand for Federal assistance by applicants.

Nature of Change. The proposed appropriation language for 1981 for industrial development loans provides $10,000,000 for insured loans and $926,000,000 for guaranteed loans. It is estimated that the proposed level will provide for 1,337 loans compared with 1,547 loans for FY 1980.

STATUS OF PROGRAM

Rural Development Insurance Fund

The Agriculture, Rural Development, and Related Agencies Appropriation Act, 1980, provided for loans to be insured and guaranteed from the Rural Development Insurance Fund totaling $2,050,000,000 including $700,000,000 for loans for water systems and waste disposal facilities, $250,000,000 for loans for community facilities and $1,090,000,000 for guaranteed loans for industrial development and $10,000,000 for insured loans for industrial development. In 1980 the Farmers Home Administration will transfer to the Rural Electrification Administration $10,000,000 of community facilities loan authorization and $24,000,000 of the guaranteed industrial development loan authorization to be used for community antenna television service and facility loans through the Rural Electrification Administration.

Number and amount of loans: The following table shows the number and amount of loans made in fiscal year 1979.

	1979 Actual	
	Number	Amount
	(Dollars in millions)	
Water and Waste Disposal Systems (sec. 306)		
Water supply		
Initial	494	285.3
Subsequent	783	247.5
Subtotal	1,277	532.8
Waste disposal		
Initial	294	211.6
Subsequent	163	81.3
Subtotal	457	292.9
Combination water supply and waste disposal		
Initial	35	40.5
Subsequent	33	33.9
Subtotal	68	74.4
Total	1,802	900.0
Community Facilities (sec. 306) 1/		
Initial	475	201.5
Subsequent	141	48.5
Total	616	250.0
Industrial Development (sec. 310B) 1/		
Initial	1,323	969.7
Subsequent	287	130.3
Total	1,610	1,100.0
Grand Total	4,028	$2,250.0

1/ Includes community antenna television service and facility loans made by Rural Electrification Administration as follows:

Sec. 306 loans	Number:	1	Amount	$3.0 million
Sec. 310B guarantees	Number:	1	Amount	$2.6 million

FARMERS HOME ADMINISTRATION

Rural Development Insurance Fund
Account

Water and Waste Disposal Loans
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	21,825,200	23,000,000	23,000,000
Alaska	645,700	1,200,000	1,200,000
Arizona	8,930,850	4,000,000	4,000,000
Arkansas	17,683,100	18,000,000	18,000,000
California	26,456,160	21,000,000	21,000,000
Colorado	10,362,500	6,000,000	6,000,000
Connecticut	19,303,200	5,000,000	5,000,000
Delaware	2,310,000	2,000,000	2,000,000
Florida	56,313,400	24,000,000	24,000,000
Georgia	14,977,000	23,500,000	23,500,000
Hawaii	481,000	1,000,000	1,000,000
Idaho	2,095,200	3,500,000	3,500,000
Illinois	10,727,300	20,000,000	20,000,000
Indiana	25,652,000	17,000,000	17,000,000
Iowa	30,052,000	16,000,000	16,000,000
Kansas	9,322,000	9,500,000	9,500,000
Kentucky	22,888,000	22,000,000	22,000,000
Louisiana	17,659,400	20,000,000	20,000,000
Maine	23,527,900	9,000,000	9,000,000
Maryland	6,051,800	8,000,000	8,000,000
Massachusetts	19,942,500	8,000,000	8,000,000
Michigan	26,905,000	20,000,000	20,000,000
Minnesota	16,033,300	14,000,000	14,000,000
Mississippi	16,550,100	21,000,000	21,000,000
Missouri	2,295,900	20,000,000	20,000,000
Montana	1,931,900	4,000,000	4,000,000
Nebraska	4,648,300	7,000,000	7,000,000
Nevada	408,000	1,000,000	1,000,000
New Hampshire	6,560,000	4,000,000	4,000,000
New Jersey	45,573,780	9,000,000	9,000,000
New Mexico	1,399,750	4,500,000	4,500,000
New York	57,244,840	25,000,000	25,000,000
North Carolina	35,077,700	32,000,000	32,000,000
North Dakota	4,665,000	4,000,000	4,000,000
Ohio	27,222,300	23,000,000	23,000,000
Oklahoma	27,685,050	17,000,000	17,000,000
Oregon	10,720,590	8,000,000	8,000,000
Pennsylvania	44,928,600	35,000,000	35,000,000
Rhode Island	705,800	1,000,000	1,000,000
South Carolina	34,839,100	20,000,000	20,000,000
South Dakota	15,051,500	7,000,000	7,000,000
Tennessee	39,671,000	25,000,000	25,000,000
Texas	50,371,800	40,000,000	40,000,000
Utah	5,753,600	4,000,000	4,000,000
Vermont	3,760,000	3,000,000	3,000,000
Virginia	12,543,200	19,000,000	19,000,000
Washington	6,285,400	8,500,000	8,500,000
West Virginia	20,380,000	15,000,000	15,000,000
Wisconsin	4,805,000	15,000,000	15,000,000
Wyoming	2,026,200	2,000,000	2,000,000
Puerto Rico	26,751,000	26,000,000	26,000,000
Virgin Islands	-0-	800,000	800,000
Amer. Samoa	-0-	500,000	500,000
Guam	-0-	800,000	800,000
Trust Territories	-0-	2,200,000	2,200,000
Total	899,999,920	700,000,000	700,000,000

FARMERS HOME ADMINISTRATION

Rural Development Insurance Fund
Account

Community Facilities Loans
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	3,976,000	7,000,000	7,000,000
Alaska	211,820	500,000	500,000
Arizona	5,966,700	4,000,000	4,000,000
Arkansas	8,287,000	7,000,000	7,000,000
California	8,766,900	8,000,000	8,000,000
Colorado	959,400	2,000,000	2,000,000
Connecticut	1,760,600	1,500,000	1,500,000
Delaware	474,300	500,000	500,000
Florida	9,970,700	7,000,000	7,000,000
Georgia	5,388,800	7,000,000	7,000,000
Hawaii	--	500,000	500,000
Idaho	260,000	1,500,000	1,500,000
Illinois	7,123,600	6,500,000	6,500,000
Indiana	3,340,500	5,000,000	5,000,000
Iowa	3,904,000	6,000,000	6,000,000
Kansas	2,018,000	3,000,000	3,000,000
Kentucky	6,972,000	7,000,000	7,000,000
Louisiana	7,661,000	7,000,000	7,000,000
Maine	3,090,100	2,500,000	2,500,000
Maryland	3,380,100	3,000,000	3,000,000
Massachusetts	6,102,500	3,500,000	3,500,000
Michigan	9,369,000	7,000,000	7,000,000
Minnesota	8,167,000	6,000,000	6,000,000
Mississippi	11,991,500	9,500,000	9,500,000
Missouri	7,173,500	7,000,000	7,000,000
Montana	3,210,000	2,500,000	2,500,000
Nebraska	266,000	2,500,000	2,500,000
Nevada	230,000	500,000	500,000
New Hampshire	2,019,000	1,500,000	1,500,000
New Jersey	4,379,000	3,000,000	3,000,000
New Mexico	1,369,000	1,500,000	1,500,000
New York	10,308,600	8,000,000	8,000,000
North Carolina	11,281,700	10,000,000	10,000,000
North Dakota	1,216,000	1,500,000	1,500,000
Ohio	2,655,100	7,500,000	7,500,000
Oklahoma	6,238,200	5,000,000	5,000,000
Oregon	1,248,200	2,500,000	2,500,000
Pennsylvania	9,453,100	9,500,000	9,500,000
Rhode Island	1,320,000	1,000,000	1,000,000
South Carolina	17,623,400	9,000,000	9,000,000
South Dakota	5,549,000	2,500,000	2,500,000
Tennessee	8,131,000	7,500,000	7,500,000
Texas	3,871,500	11,000,000	11,000,000
Utah	300,000	1,000,000	1,000,000
Vermont	1,238,100	1,000,000	1,000,000
Virginia	2,883,000	5,500,000	5,500,000
Washington	3,127,200	3,000,000	3,000,000
West Virginia	1,714,500	4,500,000	4,500,000
Wisconsin	6,560,000	5,000,000	5,000,000
Wyoming	540,000	750,000	750,000
Puerto Rico	10,452,000	9,000,000	9,000,000
Virgin Islands	--	500,000	500,000
Amer. Samoa	--	500,000	500,000
Guam	3,500,000	2,250,000	2,250,000
Trust Territories	--	1,000,000	1,000,000
Total	246,998,620	240,000,000	240,000,000

FARMERS HOME ADMINISTRATION

Rural Development Insurance Fund
Account

Business and Industrial Development Loans
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	30,245,390	30,000,000	30,000,000
Alaska	22,073,800	15,000,000	8,000,000
Arizona	8,925,700	7,000,000	7,000,000
Arkansas	36,268,850	31,000,000	22,500,000
California	24,345,250	25,000,000	25,000,000
Colorado	33,009,000	25,000,000	10,000,000
Connecticut	250,000	6,500,000	6,500,000
Delaware	700,000	2,000,000	2,000,000
Florida	21,925,000	22,000,000	22,000,000
Georgia	46,935,550	35,000,000	34,500,000
Hawaii	4,109,000	3,800,000	3,500,000
Idaho	8,010,720	7,000,000	7,000,000
Illinois	10,151,120	27,000,000	27,000,000
Indiana	23,844,100	23,500,000	23,500,000
Iowa	17,755,000	21,000,000	20,500,000
Kansas	20,300,750	17,000,000	15,500,000
Kentucky	32,930,580	32,000,000	32,000,000
Louisiana	69,751,350	43,000,000	29,000,000
Maine	9,050,000	10,000,000	10,000,000
Maryland	9,263,560	10,000,000	9,000,000
Massachusetts	2,755,000	9,000,000	9,000,000
Michigan	26,266,500	26,000,000	26,000,000
Minnesota	24,317,720	23,000,000	22,000,000
Mississippi	43,038,600	38,000,000	31,000,000
Missouri	17,257,600	25,000,000	25,000,000
Montana	11,862,000	10,000,000	6,500,000
Nebraska	8,445,000	11,000,000	11,000,000
Nevada	1,213,000	1,200,000	1,200,000
New Hampshire	4,635,000	4,800,000	4,800,000
New Jersey	12,455,000	9,000,000	7,300,000
New Mexico	10,440,000	10,000,000	9,000,000
New York	54,453,500	35,000,000	29,000,000
North Carolina	63,515,050	50,000,000	46,000,000
North Dakota	31,752,500	15,000,000	7,000,000
Ohio	74,285,800	53,000,000	35,000,000
Oklahoma	30,531,450	25,000,000	18,000,000
Oregon	10,946,000	11,000,000	10,500,000
Pennsylvania	27,692,020	42,000,000	41,500,000
Rhode Island	--	1,200,000	1,200,000
South Carolina	31,263,000	27,000,000	26,500,000
South Dakota	7,919,100	8,000,000	8,000,000
Tennessee	31,953,000	34,000,000	32,000,000
Texas	60,429,450	50,000,000	46,000,000
Utah	5,189,600	5,000,000	4,000,000
Vermont	13,293,500	10,000,000	5,000,000
Virginia	32,829,800	30,000,000	28,000,000
Washington	11,276,000	11,500,000	11,500,000
West Virginia	71,109,850	35,000,000	23,000,000
Wisconsin	25,936,410	25,000,000	24,000,000
Wyoming	21,934,500	10,000,000	4,000,000
Puerto Rico	19,967,000	36,000,000	36,000,000
Virgin Islands	500,000	1,000,000	1,000,000
Amer. Samoa	--	500,000	500,000
Guam	--	500,000	500,000
Trust Territories	--	500,000	500,000
Total	1,219,307,670 a/	1,076,000,000	936,000,000

a/ Represents face amount of loans. Contingent liability would approximate $1,097,377,000 excluding amounts transferred to REA for cable television.

FARMERS HOME ADMINISTRATION

The 1981 Budget Estimates include proposed language for this item as follows:

Rural Development Grants

For grants pursuant to section 310B(c) of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1932), $10,000,000.

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Rural Development Grants

Appropriation Act, 1980	$10,000,000
Budget Estimate, 1981	10,000,000
Change in Appropriation	—

PROJECT STATEMENT
(On basis of appropriation)

Project	1979	1980 (estimated)	Increase or Decrease	1981 (estimated)
Business and industrial development grants	$10,000,000	$10,000,000	—	$10,000,000
Total appropriation	10,000,000	10,000,000	—	10,000,000

EXPLANATION OF PROGRAM

Section 310B(c) of the Consolidated Farm and Rural Development Act, as amended, provides Rural development grants as a stimulus to facilitate the development of business and industry in rural areas. Grants are made to public bodies to assist in financing industrial sites including the acquisition, development, or construction of land, buildings, plants, equipment, access streets and roads, railroad spurs, utility lines, parking areas, necessary water supply and waste disposal facilities, refinancing, services, and fees. These grants may be made in connection with community facility loans or business and industrial loans made under the Rural Development Insurance Fund. Grants are limited to communities having populations of 50,000 or less with priority given to communities of less than 25,000.

STATUS OF PROGRAM

Rural Development Grants (sec. 310B)

The Agriculture, Rural Development, and Related Agencies Appropriation Act, 1980, appropriated $10,000,000 for Rural Development Grants.

In fiscal year 1979, 176 rural development grants totaling $10,000,000 were made to public bodies to assist in financing industrial sites including the acquisition of land, development or construction of industrial parks and related facilities.

FARMERS HOME ADMINISTRATION

Rural Development Grants
Account

Business and Industrial Grants
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	429,410	400,000	400,000
Alaska	35,000	35,000	35,000
Arizona	80,000	80,000	80,000
Arkansas	300,000	275,000	275,000
California	235,000	235,000	235,000
Colorado	127,000	100,000	100,000
Connecticut	95,000	90,000	90,000
Delaware	35,000	35,000	35,000
Florida	252,200	250,000	250,000
Georgia	320,000	315,000	315,000
Hawaii	--	40,000	40,000
Idaho	--	80,000	80,000
Illinois	269,000	250,000	250,000
Indiana	275,000	250,000	250,000
Iowa	230,000	225,000	225,000
Kansas	148,000	150,000	150,000
Kentucky	295,000	295,000	295,000
Louisiana	275,000	275,000	275,000
Maine	177,500	250,000	250,000
Maryland	75,900	100,000	100,000
Massachusetts	100,000	100,000	100,000
Michigan	245,000	245,000	245,000
Minnesota	315,000	300,000	300,000
Mississippi	387,300	350,000	350,000
Missouri	235,000	235,000	235,000
Montana	65,500	75,000	75,000
Nebraska	151,000	150,000	150,000
Nevada	30,000	30,000	30,000
New Hampshire	60,000	60,000	60,000
New Jersey	80,000	80,000	80,000
New Mexico	78,000	95,000	95,000
New York	260,000	260,000	260,000
North Carolina	563,900	550,000	550,000
North Dakota	80,000	80,000	80,000
Ohio	315,000	310,000	310,000
Oklahoma	175,000	175,000	175,000
Oregon	107,000	110,000	110,000
Pennsylvania	385,000	380,000	380,000
Rhode Island	30,000	30,000	30,000
South Carolina	353,600	325,000	325,000
South Dakota	131,390	120,000	120,000
Tennessee	325,000	300,000	300,000
Texas	425,000	415,000	415,000
Utah	93,000	75,000	75,000
Vermont	130,600	100,000	100,000
Virginia	265,000	260,000	260,000
Washington	120,000	115,000	115,000
West Virginia	194,700	195,000	195,000
Wisconsin	230,000	230,000	230,000
Wyoming	50,000	50,000	50,000
Puerto Rico	340,000	335,000	335,000
Virgin Islands	25,000	25,000	25,000
Amer. Samoa	--	25,000	25,000
Guam	--	35,000	35,000
Trust Territories	--	50,000	50,000
Total	10,000,000	10,000,000	10,000,000

FARMERS HOME ADMINISTRATION

The 1981 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Development Planning Grants

For rural development planning grants pursuant to section 306(a)(11) of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1926(a)(11)), [$7,000,000] $5,000,000.

Rural Development Planning Grants

Appropriation Act, 1980	$7,000,000
Budget Estimate, 1981	5,000,000
Decrease in Appropriation	-2,000,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1979	1980 (estimated)	Increase or Decrease	1981 (estimated)
Rural Development Planning Grants	$5,000,000	$7,000,000	$-2,000,000	$5,000,000
Total appropriation	5,000,000	7,000,000	-2,000,000	5,000,000

EXPLANATION OF PROGRAM

Section 306(a)(11) of the Consolidated Farm and Rural Development Act, as amended, authorizes grants to be made to public bodies or such other agencies as the Secretary of Agriculture may select to prepare comprehensive plans for rural development.

The major objective of the rural development planning grant program is to achieve a more efficient coordination, application, and targeting of Federal and non-Federal rural development policy management activities, which would also promote the orderly growth of rural areas.

JUSTIFICATION OF DECREASE

(1) A decrease of $2,000,000 for the rural development planning grant program ($7,000,000 available in 1980).

Need for Change. Greater emphasis will be placed on using funds available for this purpose from other sources such as the Department of Housing and Urban Development block grant program.

Nature of Change. A decrease of $2,000,000 for the rural development planning grant program will reduce the number of projects being funded from 215 in 1980 to 140 in 1981.

However, total funds available for planning from all Federal programs will be held to a substantial level in FY 1981.

STATUS OF PROGRAM

Rural Development Planning Grants (sec. 306)

The Agriculture, Rural Development, and Related Agencies Appropriation Act, 1980, appropriated $7,000,000 for Rural Development Planning Grants.

In fiscal year 1979, 169 rural development planning grants were made totaling $5,000,000. These grants are made to provide comprehensive plans for rural development.

FARMERS HOME ADMINISTRATION

Rural Development Planning Grants
Account

Rural Development Planning Grants
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	122,500	175,000	125,000
Alaska	86,000	100,000	75,000
Arizona	187,500	125,000	75,000
Arkansas	133,000	150,000	125,000
California	198,920	250,000	175,000
Colorado	50,000	100,000	75,000
Connecticut	50,000	75,000	50,000
Delaware	48,700	75,000	50,000
Florida	190,000	200,000	150,000
Georgia	182,500	225,000	175,000
Hawaii	50,000	75,000	50,000
Idaho	87,500	125,000	75,000
Illinois	15,000	100,000	75,000
Indiana	82,350	125,000	75,000
Iowa	24,080	200,000	150,000
Kansas	50,000	125,000	75,000
Kentucky	177,500	250,000	175,000
Louisiana	176,250	200,000	125,000
Maine	102,130	100,000	75,000
Maryland	106,000	75,000	50,000
Massachusetts	66,800	100,000	75,000
Michigan	116,750	125,000	75,000
Minnesota	98,750	125,000	100,000
Mississippi	183,750	250,000	175,000
Missouri	85,000	175,000	125,000
Montana	35,000	75,000	50,000
Nebraska	19,850	75,000	50,000
Nevada	--	50,000	50,000
New Hampshire	35,000	75,000	50,000
New Jersey	129,720	150,000	100,000
New Mexico	193,710	200,000	175,000
New York	228,500	150,000	125,000
North Carolina	128,110	150,000	100,000
North Dakota	99,930	125,000	100,000
Ohio	46,290	100,000	75,000
Oklahoma	34,000	175,000	100,000
Oregon	41,070	75,000	50,000
Pennsylvania	115,000	150,000	100,000
Rhode Island	15,000	50,000	50,000
South Carolina	124,760	150,000	125,000
South Dakota	127,000	175,000	125,000
Tennessee	134,950	150,000	75,000
Texas	103,750	325,000	250,000
Utah	50,000	75,000	75,000
Vermont	72,500	100,000	50,000
Virginia	73,450	125,000	100,000
Washington	231,500	250,000	175,000
West Virginia	106,430	150,000	100,000
Wisconsin	79,500	100,000	75,000
Wyoming	34,000	75,000	50,000
Puerto Rico	50,000	75,000	50,000
Virgin Islands	20,000	25,000	25,000
Total	5,000,000	7,000,000	5,000,000

FARMERS HOME ADMINISTRATION

The 1981 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Housing Supervisory Assistance Grants

For grants pursuant to section 525(a) of the Housing Act of 1949, as amended (42 U.S.C. 1490(e)), [$1,500,000] $2,000,000.

Rural Housing Supervisory Assistance Grants

Appropriation Act, 1980	$1,500,000
Budget Estimate, 1981	2,000,000
Increase in Appropriation	+ 500,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1979	1980 (estimated)	Increase or Decrease	1981 (estimated)
Rural housing supervisory assistance grants	$2,500,000	$1,500,000	$+500,000	$2,000,000
Total appropriation	2,500,000	1,500,000	+500,000	2,000,000

EXPLANATION OF PROGRAM

This program is authorized under section 525 of the Housing Act of 1949, as amended. It is designed to aid low-income families and individuals in benefiting from all Federal, state, and local housing programs.

Grants are made to community-based, nonprofit organizations for the purpose of conducting programs of technical and supervisory assistance which will acquaint needy families and individuals with the programs available to them, assist them in finding the one which will best suit their needs, and provide them with assistance in preparing and processing the application.

The grantee will also develop counseling programs to prepare families to assume the financial and management responsibilities needed to comply with the requirements of the program from which they are benefiting. Such counseling programs will be developed in order to reduce delinquencies and subsequent foreclosure actions against families who are benefiting from FmHA housing programs.

JUSTIFICATION OF INCREASE

(1) An increase of $500,000 for Rural Housing Supervisory Assistance Grants Program ($1,500,000 available in 1980).

Need for Change. This is a new program initiated in fiscal year 1979. The Department agrees that there is a need for increased awareness by low-income families and individuals, of the various Federal, state, and local housing programs that could benefit them. However, since the program is new, it should be carefully evaluated in terms of effectiveness and cost efficiency, during the initial stages and before larger amounts of funding are provided. The budget request will allow for an adequate program during the early stages.

Nature of Change. Increased appropriation for 1981 will provide for continuation of an adequate program level while an evaluation of the new program is being made.

STATUS OF PROGRAM

Kural Housing Supervisory Assistance Grants (sec. 525)

This program is authorized under section 525 of the Housing Act of 1949, as amended. It is designed to aid low-income families and individuals in benefitting from all Federal, state and local housing programs. This program was implemented in fiscal year 1979 with 25 grants totaling $2,500,000.

The FY 1980 appropriation provides $1,500,000 for this program.

FARMERS HOME ADMINISTRATION

Rural Housing Supervisory Assistance Grants
Account

Rural Housing Supervisory Assistance Grants
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	100,000	--	40,000
Alaska	100,000	--	40,000
Arizona	--	55,000	40,000
Arkansas	--	55,000	40,000
California	--	100,000	40,000
Colorado	100,000	--	40,000
Connecticut	--	55,000	40,000
Delaware	--	50,000	40,000
Florida	100,000	--	40,000
Georgia	100,000	--	40,000
Idaho	--	55,000	40,000
Illinois	100,000	--	40,000
Indiana	--	100,000	40,000
Iowa	--	55,000	40,000
Kansas	100,000	--	40,000
Kentucky	100,000	--	40,000
Louisiana	100,000	--	40,000
Maine	--	50,000	40,000
Maryland	100,000	--	40,000
Massachusetts	100,000	--	40,000
Michigan	--	55,000	40,000
Minnesota	100,000	--	40,000
Mississippi	100,000	--	40,000
Missouri	100,000	--	40,000
Montana	--	55,000	40,000
Nebraska	--	55,000	40,000
Nevada	--	55,000	40,000
New Hampshire	--	55,000	40,000
New Jersey	--	55,000	40,000
New Mexico	--	55,000	40,000
New York	--	100,000	40,000
North Carolina	100,000	--	40,000
North Dakota	--	55,000	40,000
Ohio	100,000	--	40,000
Oklahoma	--	55,000	40,000
Oregon	--	55,000	40,000
Pennsylvania	100,000	--	40,000
Rhode Island	--	55,000	40,000
South Carolina	100,000	--	40,000
South Dakota	--	55,000	40,000
Tennessee	100,000	--	40,000
Texas	100,000	--	40,000
Utah	--	55,000	40,000
Vermont	100,000	--	40,000
Virginia	100,000	--	40,000
Washington	100,000	--	40,000
West Virginia	100,000	--	40,000
Wisconsin	--	55,000	40,000
Wyoming	--	55,000	40,000
Puerto Rico	100,000	--	40,000
Total	2,500,000	1,500,000	2,000,000

FARMERS HOME ADMINISTRATION

The 1981 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Water and Waste Disposal Grants

For grants pursuant to sections 306(a)(2) and 306(a)(6) of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1926), [$300,000,000] $284,000,000, to remain available until expended, pursuant to section 306(d) of the above Act.

Rural Water and Waste Disposal Grants

Appropriation Act, 1980	$300,000,000
Budget Estimate, 1981	284,000,000
Decrease in Appropriation	-16,000,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1979	1980 (estimated)	Increase or Decrease	1981 (estimated)
Rural water & waste disposal grants:				
Water supply	$208,428,150	$216,000,000	$-11,520,000	$204,480,000
Waste disposal	71,215,150	72,000,000	- 3,840,000	68,160,000
Combination - water & waste disposal	11,956,700	12,000,000	- 640,000	11,360,000
Total obligations	291,600,000	300,000,000	-16,000,000 (1)	284,000,000
Recovery of prior-year obligations	- 9,645,751	- -	- -	- -
Unobligated balance brought forward	- 128,240	- -	- -	- -
Unobligated balance carried forward	673,991	- -	- -	- -
Total appropriation	282,500,000	300,000,000	-16,000,000	284,000,000

The preceding tabulation is based on amounts included in appropriation acts. The following tabulation shows estimated obligations on an available funds basis, including balances brought forward from prior years.

PROJECT STATEMENT
(On basis of obligations under available funds)

Project	1979	1980 (estimated)	Increase or Decrease	1981 (estimated)
Rural water & waste disposal grants:				
Water suply	$208,428,150	$216,485,273	$-12,005,273	$204,480,000
Water disposal	71,215,150	72,161,758	- 4,001,758	68,160,000
Combination - water & waste disposal	11,956,700	12,026,960	- 666,960	11,360,000
Total obligations	291,600,000	300,673,991	-16,673,991	284,000,000
Recovery of prior-year obligations	- 9,645,751	- -	- -	- -
Unobligated balance brought forward	- 128,240	-673,991	+673,991	- -
Unobligated balance carried forward	673,991	- -	- -	- -
Total appropriation	282,500,000	300,000,000	-16,000,000	284,000,000

EXPLANATION OF PROGRAM

Rural Water and Waste Disposal Grants. Section 306 of the Consolidated Farm and Rural Development Act provides appropriation authority for grants for the development costs of water and waste disposal projects in rural areas. Grants made under this authority may not aggregate more than $500 million in any fiscal year.

1. Eligibility of applicants: Development grants may be made to associations including corporations operating on a nonprofit basis, municipalities, public authorities, districts, certain Indian tribes, and similar organizations, generally designated as public or quasi-public agencies, that propose projects for development, storage, treatment, purification, or distribution of domestic water or the collection, treatment, or disposal of waste in rural areas. Grants may be made to assist eligible applicants to pay for part of the development cost of such projects if grants are necessary to reduce user charges to a reasonable level. Combined loans and grants may be made when the applicant is able to repay part, but not all, of the project costs.

Grants also may be made to supplement other funds borrowed or furnished by applicants to pay development costs. An eligible project must serve a rural area which, if such project is carried out, is not likely to decline in population below that for which the project was designed, must be designed and constructed so that adequate capacity will be or can be made available to serve the reasonable foreseeable growth needs of the area, and must be consistent with comprehensive community water, waste disposal or other development plans for the rural area. Applications for loans and grants for water and waste disposal systems must be reviewed for comment by the officially designated agency and the local county or municipal government in which the proposed project is to be located.

2. Limits: Water and waste disposal development grants may not exceed 75 percent of the development cost of the project. The development cost may include the cost of construction of the proposed facility including rights-of-way and land rights, water rights, engineering fees, legal fees, and administrative costs in connection with construction and acquisition.

JUSTIFICATION OF DECREASE

(1) A decrease of $16,000,000 for rural water and waste disposal grants ($300,000,000 available in 1980).

Need for Change. Greater emphasis will be placed on encouraging the use of available grant funds for the construction of water and/or sewer systems from the Environmental Protection Agency, Economic Development Administration, and the Department of Housing and Urban Development. FmHA is participating with these agencies in the Presidential initiative demonstration program to improve the access of rural communities to such assistance.

Nature of Change. The decrease in the water and waste disposal grants program will reduce the number of projects being funded from 1,025 in FY 1980 to 903 in FY 1981. However, the increased emphasis in obtaining for rural areas similar assistance from other existing Federal programs will result in the maintenance of substantial program levels in FY 1981.

STATUS OF PROGRAM

Rural Water and Waste Disposal Grants (sec. 306)

The Agriculture, Rural Development, and Related Agencies Appropriation Act, 1980, appropriated $300,000,000 for the Rural Water and Waste Disposal Grants. These grants are made to provide assistance for basic human amenities, alleviate health hazards and promote the orderly growth of rural areas.

In fiscal year 1979, 1,066 water and waste disposal grants were made totaling $291,600,000.

FARMERS HOME ADMINISTRATION

Rural Water and Waste Disposal Grants
Account

Rural Water and Waste Disposal Grants
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	11,030,300	11,000,000	10,000,000
Alaska	300,000	500,000	500,000
Arizona	1,417,400	1,600,000	1,600,000
Arkansas	7,334,500	7,500,000	6,500,000
California	8,923,200	9,500,000	8,500,000
Colorado	3,769,500	3,000,000	3,000,000
Connecticut	2,270,000	2,250,000	2,250,000
Delaware	1,127,700	1,000,000	1,000,000
Florida	8,289,300	8,500,000	8,000,000
Georgia	9,916,250	10,000,000	9,000,000
Hawaii	--	500,000	500,000
Idaho	2,005,300	2,000,000	2,000,000
Illinois	8,152,800	8,700,000	8,500,000
Indiana	6,389,000	7,000,000	7,000,000
Iowa	6,533,700	6,200,000	6,000,000
Kansas	3,636,000	4,000,000	4,000,000
Kentucky	10,276,000	10,200,000	9,000,000
Louisiana	9,328,000	9,000,000	8,500,000
Maine	4,553,700	4,000,000	4,000,000
Maryland	2,468,500	3,300,000	3,300,000
Massachusetts	3,496,000	3,000,000	3,000,000
Michigan	7,957,000	8,600,000	8,600,000
Minnesota	7,588,000	7,000,000	7,000,000
Mississippi	9,688,400	9,400,000	8,400,000
Missouri	8,823,900	8,600,000	8,600,000
Montana	1,293,300	1,600,000	1,600,000
Nebraska	3,163,800	3,000,000	3,000,000
Nevada	325,500	400,000	400,000
New Hampshire	1,125,000	1,250,000	1,250,000
New Jersey	2,567,000	2,600,000	2,600,000
New Mexico	978,100	1,800,000	1,800,000
New York	11,175,000	11,000,000	10,000,000
North Carolina	13,135,400	14,400,000	13,000,000
North Dakota	1,605,000	1,600,000	1,600,000
Ohio	9,203,900	10,000,000	10,000,000
Oklahoma	7,237,650	7,000,000	7,000,000
Oregon	3,245,000	3,200,000	3,200,000
Pennsylvania	12,800,000	13,000,000	12,000,000
Rhode Island	548,000	500,000	500,000
South Carolina	7,851,200	8,000,000	7,000,000
South Dakota	5,369,700	4,500,000	4,500,000
Tennessee	10,383,500	10,800,000	10,800,000
Texas	15,816,800	16,500,000	15,000,000
Utah	1,625,300	1,500,000	1,500,000
Vermont	1,715,000	1,700,000	1,700,000
Virginia	7,315,000	8,500,000	8,000,000
Washington	2,917,800	3,700,000	3,600,000
West Virginia	7,051,000	6,500,000	6,000,000
Wisconsin	5,635,000	6,500,000	6,000,000
Wyoming	1,700,800	1,000,000	1,000,000
Puerto Rico	10,541,800	11,573,991	10,000,000
Virgin Islands	--	500,000	500,000
Amer. Samoa	--	300,000	300,000
Guam	--	400,000	400,000
Trust Territories	--	1,000,000	1,000,000
Total	291,600,000	300,673,991	284,000,000

FARMERS HOME ADMINISTRATION

The 1981 Budget Estimates include language for this item as follows:

Rural Housing For Domestic Farm Labor

For financial assistance to eligible nonprofit organizations for housing for domestic farm labor, pursuant to section 516 of the Housing Act of 1949, as amended (42 U.S.C. 1486), $25,000,000.

Rural Housing for Domestic Farm Labor

Appropriation Act, 1980	$25,000,000
Budget Estimate, 1981	25,000,000
Change in Appropriation	- -

PROJECT STATEMENT
(On basis of adjusted appropriation and on basis of obligations under available funds)

Project	1979	1980 (estimated)	Increase or Decrease	1981 (estimated)
Financial assistance for low-rent domestic farm labor housing: Build/purchase of existing, or repair of existing	$32,427,860	$25,572,140	-572,140	$25,000,000
Total obligations	32,427,860	25,572,140	-572,140	25,000,000
Unobligated balance brought forward	- -	-572,140	+572,140	- -
Unobligated balance carried forward	572,140	- -	- -	- -
Total appropriation	33,000,000	25,000,000	- -	25,000,000

The preceding tabulation is based on amounts included in appropriation acts. This is the same amount as the estimated obligations on an available funds basis, including balances brought forward from prior years.

EXPLANATION OF PROGRAM

Under Section 516 of the Housing Act of 1949, FmHA is authorized to share with states or other political subdivisions, public or private nonprofit organizations, or nonprofit organizations of farmworkers, the cost of providing low-rent housing, basic household furnishings, and related facilities to be used by domestic farm laborers. Such housing may be for year-round or seasonal occupancy and consist of family units, apartments or dormitory-type units, constructed in an economical manner, and not of elaborate or extravagant design or materials. Grant assistance may not exceed 90 percent of the total development cost. Applicants furnish as much of the development cost as they can afford by using their own resources, by borrowing either directly from private sources, or obtaining an insured loan under Section 514 of the Housing Act. The applicant must agree to charge rentals which do not exceed amounts approved by the Secretary, maintain the housing at all times in a safe and sanitary condition, and give occupancy preference to domestic farm laborers.

The obligations incurred by the applicant as a condition of the grant continue for 50 years from the date of the grant unless sooner terminated by the Farmers Home Administration. Grant obligations are secured by a mortgage on the housing or other security. In the event of default, the Farmers Home Administration has the option to require repayment of the grant.

STATUS OF PROGRAM

Rural Housing for Domestic Farm Labor (sec. 516)

The following reflects the number of grants made and the total amount of these grants since 1966.

Fiscal Year	Number of Grants	Total Amount
1966	4	$2,156,320
1967	5	2,678,440
1968	5	2,700,290
1969	10	5,003,500
1970	6	2,133,770
1971	4	736,550
1972	10	6,683,180
1973	8	1,745,930
1974	11	10,080,730
1975	6	5,000,000
1976	--	--
TQ	11	10,729,570
1977	13	7,250,000
1978	11	7,750,004
1979	36	32,427,860
Total (thru Sept. 30, 1979)	140	97,076,144

The FY 1980 appropriation provides $25,000,000 for this program.

FARMERS HOME ADMINISTRATION

Rural Housing for Domestic Farm Labor
Account

Farm Labor Housing Grants
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Arizona	--	500,000	500,000
Arkansas	2,700,000	2,250,000	2,250,000
California	9,806,660	5,500,000	5,500,000
Florida	8,916,800	5,000,000	5,000,000
Idaho	1,031,230	1,500,000	1,500,000
Massachusetts	500,000	500,000	500,000
Minnesota	--	500,000	500,000
New Mexico	894,320	750,000	750,000
New York	1,076,000	1,000,000	1,000,000
North Carolina	--	500,000	500,000
Oregon	663,300	500,000	500,000
Pennsylvania	--	500,000	500,000
South Carolina	--	500,000	500,000
Texas	4,837,950	4,072,144	3,500,000
Washington	2,001,600	2,000,000	2,000,000
Total	32,427,860	25,572,144	25,000,000

FARMERS HOME ADMINISTRATION

The 1981 Budget Estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Mutual and Self-Help Housing

[For grants and contracts pursuant to section 523(b)(1)(A) of the Housing Act of 1949 (42 U.S.C. 1490c), $5,000,000.]

This change would delete the language contained in the Agriculture, Rural Development, and Related Agencies Appropriation Act, 1980, P.L. 96-108, approved November 9, 1979.

Sufficient carry-over balances from previous years' appropriations will be available in FY 1981 to continue the program at an adequate level.

Mutual and Self-Help Housing

Appropriation Act, 1980	$5,000,000
Budget Estimate, 1981	- -
Decrease in Appropriation	-5,000,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1979	1980 (estimated)	Increase or Decrease	1981 (estimated)
Financial assistance for technical and supervisory assistance for mutual and self-help housing	5,629,420	$ 5,000,000	$-5,000,000	- -
Total obligations	5,629,420	5,000,000	-5,000,000(1)	- -
Recovery of prior year obligations	-214,181	- -	- -	- -
Unobligated balance brought forward	-16,643,817	- -	- -	- -
Unobligated balance carried forward	24,728,578	- -	- -	- -
Total appropriation	13,500,000	5,000,000	-5,000,000	- -

The preceding tabulation is based on amounts included in appropriation acts. The following tabulation shows estimated obligations on an available funds basis, including balances brought forward from prior years.

PROJECT STATEMENT
(On basis of obligations under available funds)

Project	1979	1980 (estimated)	Increase or Decrease	1981 (estimated)
Financial assistance for technical and supervisory assistance for mutual and self-help housing	$ 5,629,420	$14,728,578	$ +271,422	$15,000,000
Total obligations	5,629,420	14,728,578	+271,422	15,000,000
Recovery of prior year obligations	-214,181	- -	- -	- -
Unobligated balance brought forward	-16,643,817	-24,728,578	+9,728,578	-15,000,000
Unobligated balance carried forward	24,728,578	15,000,000	-15,000,000	- -
Total appropriation	13,500,000	5,000,000	- 5,000,000	- -

EXPLANATION OF PROGRAM

This grant program was authorized by Public Law 90-448, approved August 1, 1968. Grants are made to local organizations to promote the development of mutual or self-help housing programs under which groups of usually six to ten families build their own homes by mutually exchanging labor. Funds may be used to pay the cost of construction supervisors who will work with families to guide them in the construction of their homes and for administrative expenses of the organizations providing the self-help assistance.

This appropriation also provides for contract funds for training to be provided to members and staff of self-help technical assistance grant recipient organizations which sponsor and supervise self-help projects.

JUSTIFICATION OF DECREASE

(1) A decrease of $5,000,000 for the Mutual and Self-Help Housing Grant Program ($5,000,000 available in new budget authority in 1980, a total of $29,728,578 on the basis of available funds).

Need for Change. Unobligated balances of $24.7 million from FY 1979 and prior year authorizations are available for the FY 1980 programs in addition to the $5 million in new authority. This total of $29.7 million is sufficient to carry out a program in both 1980 and 1981 which is significantly above any actual program level in past years. The largest program level in the past was in FY 1979 when $5.6 million was obligated out of a total available funds level of $30.1 million. Although we expect program performance levels to increase significantly in 1980 as the result of concentrated education and awareness efforts by FmHA, the approximately $15 million proposed for both 1980 and 1981 will be adequate to meet any foreseeable needs.

Nature of Change. A 1980 deferral of $15 million is being proposed which will provide for programs in FY 1980 and FY 1981 which are significantly above the level of prior years. No new budget authority will be required.

STATUS OF PROGRAM

Mutual and Self-Help Housing (sec. 523)

The following reflects the number of grants made and the total amount of these grants since 1971, the first year of this program:

Fiscal Year	Number of Grants	Total Amount
1971	15	$1,720,960
1972	9	1,617,910
1973	24	3,728,451
1974	29	3,381,610
1975	26	5,659,690
1976	4	604,200
TQ	14	5,485,610
1977	35	4,491,300
1978	30	3,645,920
1979	36	5,629,420
Total (thru Sept. 30, 1979)	222	36,415,071

The FY 1980 appropriation provided $5,000,000 for this program. With unobligated balances brought forward into 1980, the new authority would provide a total program level of about $30,000,000. Despite concentrated efforts being made to move this program along, the available funds are far in excess of the need for FY 1980. Therefore, a deferral of $15,000,000 is being proposed for the entire year which will make these funds available for the 1981 fiscal year.

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FARMERS HOME ADMINISTRATION

Mutual and Self-Help Housing
Account

Mutual and Self-Help Technical Assistance Grants
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	137,850	300,000	300,000
Arizona	399,580	500,000	500,000
Arkansas	20,480	200,000	200,000
California	935,000	1,500,000	1,650,000
Colorado	136,600	500,000	500,000
Connecticut	180,000	200,000	200,000
Florida	792,580	1,000,000	1,000,000
Georgia	--	200,000	200,000
Idaho	--	250,000	250,000
Indiana	150,000	300,000	300,000
Louisiana	--	200,000	200,000
Maryland	--	100,000	100,000
Massachusetts	420,000	500,000	500,000
Michigan	198,000	200,000	200,000
Minnesota	141,200	500,000	500,000
Mississippi	--	750,000	750,000
Missouri	108,000	300,000	300,000
New Hampshire	--	250,000	250,000
New Mexico	--	750,000	750,000
North Carolina	40,000	400,000	400,000
North Dakota	--	200,000	200,000
Oklahoma	826,460	1,000,000	1,000,000
Oregon	200,000	400,000	400,000
Pennsylvania	--	500,000	500,000
South Carolina	--	300,000	300,000
South Dakota	351,710	500,000	500,000
Texas	--	500,000	500,000
Utah	--	250,000	250,000
Virginia	--	100,000	100,000
Washington	--	878,578	1,000,000
West Virginia	140,000	300,000	300,000
Wisconsin	333,000	400,000	400,000
Puerto Rico	118,960	500,000	500,000
Total	5,629,420	14,728,578	15,000,000

FARMERS HOME ADMINISTRATION

The 1981 Budget Estimates include proposed changes in the language of this item as follows (new language underscored):

Self-Help Housing Land Development Fund

1 During 1981 and within the resources and authority available, gross obligations for the amount of direct loans shall not exceed $5,000,000.

2 For an additional amount to provide capitalization to the self-help housing land development fund under section 523(f) and (g), $4,000,000.

The first change is part of the new OMB Federal Credit Control procedures and is intended to provide clarity as to the the gross loan level for this fund as contained in the appropriation language.

The second change will provide an additional amount to increase the capitalization of the self-help housing land development fund to allow for the increased loan level.

Self-Help Housing Land Development Fund

Appropriation Act, 1980	$ - -
Budget Estimate, 1981	4,000,000
Increase in Appropriation	+4,000,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1979	1980 (estimated)	Increase or Decrease	1981 (estimated)
Mutual & self-help housing site loans	$1,724,460	- -	$+4,000,000	$4,000,000
Unobligated balance brought forward	-377,315	- -	- -	- -
Receipts	-670,734	- -	- -	- -
Unobligated balance carried forward	323,589	- -	- -	- -
Total appropriation	1,000,000	- -	+4,000,000	4,000,000

The preceding tabulation is based on amounts included in appropriation acts. The following tabulation shows estimated obligations on an available funds basis, including balances brought forward from prior years.

PROJECT STATEMENT
(On basis of obligations under available funds)

Project	1979	1980 (estimate)	Increase or Decrease	1981 (estimate)
Mutual & self-help housing site loans	$1,724,460	$1,000,000	$+4,000,000	$5,000,000
Unobligated balance brought forward	-377,315	-323,589	+ 323,589	- -
Receipts	-670,734	-676,411	- 603,589	-1,280,000
Unobligated balance carried forward	323,589	- -	+ 280,000	280,000
Total available or estimate	1,000,000	- -	+4,000,000	4,000,000

EXPLANATION OF PROGRAM

This fund was authorized by Public Law 90-488, approved August 1, 1968. It is used as a revolving fund for making loans to public or private nonprofit organizations for the acquisition and development of land as building sites to be subdivided and sold to eligible families, nonprofit organizations, and cooperatives.

JUSTIFICATION OF INCREASE

(1) An increase of $4,000,000 for capitalization of the fund (No appropriation in 1980).

Need for change. The increase in the appropriation request is due to the increased demand for self-help land development loans as a result of higher housing costs and increased activity of other housing support programs promoting the mutual and self-help housing concept.

Nature of change. The increase in appropriation will provide a sufficient cash balance in the fund to finance the higher loan level.

STATUS OF PROGRAM

Self-Help Housing Land Development Fund (Sec. 523)

The Supplemental Appropriation Act, 1969, (Public Law 90-608), approved October 21, 1968, included an initial appropriation of $600,000 for this fund. The Department of Agriculture and Related Agencies Appropriation Acts for 1970, 1971, and 1979 provided increases totaling $2,400,000 which remain available until expended. Ten loans for $1,724,460 were obligated in fiscal year 1979.

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
California	573,100	200,000	2,250,000
Florida	39,320	150,000	250,000
Mississippi	--	150,000	250,000
New Mexico	227,000	--	250,000
Oregon	120,000	--	250,000
South Dakota	677,600	176,500	1,150,000
Washington	87,440	323,500	600,000
Total	1,724,460	1,000,000	5,000,000

FARMERS HOME ADMINISTRATION

The 1981 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses

For necessary expenses of the Farmers Home Administration, not otherwise provided for, in administering the programs authorized by the Consolidated Farm and Rural Development Act (7 U.S.C. 1921-1995), as amended; title V of the Housing Act of 1949, as amended (42 U.S.C. 1471-1490h); the Rural Rehabilitation Corporation Trust Liquidation Act, approved May 3, 1950 (40 U.S.C. 440-444), for administering the loan program authorized by title IIIA of the Economic Opportunity Act of 1964 (Public Law 88-452, approved August 20, 1964), as amended, and such other programs for which Farmers Home Administration has the responsibility for administering, [$230,518,000] $246,677,000, including [$1,693,000] $1,815,000 for the coordination of rural development activities as authorized by section 603 of the Rural Development Act of 1972, together with not more than $3,000,000 of the charges collected in connection with the insurance of loans as authorized by section 309(e) of the Consolidated Farm and Rural Development Act, as amended, and section 517(i) of the Housing Act of 1949, as amended, or in connection with charges made on borrowers under section 502(a) of the Housing Act of 1949, as amended: Provided, That, in addition, not to exceed $500,000 of the funds available for the various programs administered by this agency may be transferred to this appropriation for temporary field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), to meet unusual or heavy workload increases: Provided further, That not to exceed $1,000,000 of this appropriation may be used for employment under 5 U.S.C. 3109.

FARMERS HOME ADMINISTRATION

SALARIES AND EXPENSES

	Appropriation	Transfer from Rural Housing Insurance Fund	Transfer from Loan Funds for Temporary Field Employment	Total
Appropriation Act, 1980.	$230,518,000	$3,000,000	$500,000	$234,018,000
Budget estimate, 1981...	246,677,000	3,000,000	500,000	250,177,000
Increase in appropriation.....	+16,159,000	--	--	+16,159,000
Adjustments in 1980:				
Appropriation Act, 1980.....	230,518,000	3,000,000	500,000	234,018,000
Transfer to Rural Electrification Administration a/	-120,000	--	--	-120,000
Transfer to Office of Transportation b/	-63,000	--	--	-63,000
1980 Supplemental Appropriation for pay costs.....	+9,155,000	--	--	+9,155,000
Adjusted base for 1981	239,490,000	3,000,000	500,000	242,990,000
Budget estimate, 1981...	246,677,000	3,000,000	500,000	250,177,000
Increase from adjusted 1980.....	+7,187,000	--	--	+7,187,000

a/ Pursuant to Secretary's Memorandum No. 1988 dated May 22, 1979, certain functions related to Community Facility Loans were transferred to REA. Actual transfer of $120,000 is anticipated in 1980.

b/ Pursuant to Secretary's Memorandum No. 1966 dated December 12, 1978, certain transportation functions were transferred to OT. Actual transfer of $60,000 has been made in 1980 as shown in the FY 1981 Budget. On a comparable basis the full annual cost of the activity including pay costs is $63,000 for 1980 and $63,000 for 1981.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1980 Estimate	Increase or Decrease	1981 Estimate
Increased operating costs.....	--	+$4,741,000	$4,741,000
Increased pay costs	--	+2,446,000	2,446,000
All other expenses for administration of grant and direct and insured loan programs.....	242,990,000	--	242,990,000
Total available.....	242,990,000	+7,187,000 a/	250,177,000

a/ Includes a total increase of $4,741,000 toward increased operating costs in order to sustain performance levels for continuing programs and $2,446,000 for the portion of pay increases effective in fiscal year 1980 which were absorbed in 1980 but which are necessary to carry out the programs proposed for fiscal year 1981.

PROJECT STATEMENT

(On the basis of adjusted Appropriation)

Project	1979	1980 (estimated)	Increase or Decrease	1981 (estimated)
Rural Development Coordination	$ 1,746,000	$ 1,783,000	$ +32,000	$ 1,815,000
Low-income housing assistance	107,363,211	116,638,000	+11,369,000	128,007,000
Moderate income housing assistance	48,119,036	56,184,000	-5,449,000	50,735,000
Farm loan programs assistance	52,310,368	53,224,000	+48,000	53,272,000
Community programs assistance	9,757,671	10,391,000	+1,077,000	11,468,000
Loans for associations or groups	275,667	457,000	-5,000	452,000
Business and industry assistance	3,949,375	4,313,000	+115,000	4,428,000
Total, administration of grant and direct and insured loan programs	223,521,328	242,990,000	+7,187,000	250,177,000
Unobligated balance	2,122,672	--	--	--
Total available or estimate	225,644,000	242,990,000	+7,187,000 (1)	250,177,000
Transferred to other accounts	+101,000	+183,000		
Transfer from "Rural Housing Insurance Fund"	--	-3,000,000		
Transfer from Agricultural Credit Insurance Fund	-500,000	-500,000		
Proposed supplemental for pay increase costs	--	-9,155,000		
Total Appropriation	225,245,000	230,518,000		

EXPLANATION OF PROGRAM

Funds appropriated to this account are used to administer the various loan and grant programs of the Farmers Home Administration, with the exception of Emergency, Watershed, Flood, and Resource Conservation and Development loans. Administration of the programs includes the reviewing of applications, making and collecting loans, and extending technical assistance to borrowers. Also included in this account are the activities previously related to the Rural Development Service.

In addition, other funds are made available from the Agricultural Credit Insurance Fund to service the unpredictable needs of the Emergency Program. An annual allotment is received from the Soil Conservation Service to cover the costs of administering Watershed, Flood, and Resource Conservation and Development loans.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $7,187,000 for the administration of loan and grant programs consisting of:

(a) An increase of $4,741,000 for increased operating costs.

This will provide for sustaining performance levels for continuing programs, including servicing an ever increasing loan portfolio (over 1,340,000 loans worth more than $44 billion estimated as of September 30, 1980, compared to about 1,080,000 loans worth $22.5 billion as of September 30, 1977).

(b) An increase of $2,446,000 for the 1980 pay increase.

FARMERS HOME ADMINISTRATION

Salaries and Expenses
Obligations by Organizational Unit
(in thousands, rounded)

Organizational Unit	Obligations			
	Personnel Comp. and Benefits	Travel	All Other	Total
FISCAL YEAR 1979:				
National Office	$12,765	$923	$2,868	$16,556
Finance Office	9,378	93	3,068	12,539
State Offices	28,712	3,337	6,276	38,325
District Offices	16,477	1,872	3,617	21,966
County Offices	120,381	7,983	36,767	165,131
Total, FmHA	187,713	14,208	52,596	254,517
Less Allocation from other accounts	-20,455	-2,913	-6,905	-30,273
Total, S&E, FmHA	167,258	11,295	45,691	224,244
FISCAL YEAR 1980: (estimate)				
National Office	14,900	990	3,040	18,930
Finance Office	10,720	110	3,190	14,020
State Offices	28,690	3,220	5,700	37,610
District Offices	18,900	2,070	3,780	24,750
County Offices	137,560	8,937	37,935	184,432
Total, FmHA	210,770	15,327	53,645	279,742
Less Allocations from other accounts	-26,328	-2,252	-6,196	-34,776
Total, S&E, FmHA	184,442	13,075	47,449	244,966
FISCAL YEAR 1981: (estimate)				
National Office	14,920	1,070	3,460	19,450
Finance Office	10,715	125	3,640	14,480
State Offices	27,760	3,255	6,275	37,290
District Offices	19,460	2,280	4,420	26,160
County Offices	132,273	9,155	41,569	182,997
Total, FmHA	205,128	15,885	59,364	280,377
Less Allocations from other accounts	-20,949	-1,784	-4,891	-27,624
Total, S&E, FmHA	184,179	14,101	54,473	252,753

FARMERS HOME ADMINISTRATION

Salaries and Expenses
Positions Filled, Staff-Years and Average
Grade and Salary by Organizational Unit

Organizational Unit	Positions Filled At End of Year: Permanent Full-Time	Positions Filled At End of Year: Other	Staff-Years	Permanent Full-Time: Average Grade	Permanent Full-Time: Average Salary
FISCAL YEAR 1979:					
National Office	420 1/	59	482	10.33	$22,183
Finance Office	507	122	625	6.78	14,560
State Offices	1,130	185	1,278	9.52	20,444
District Offices	840	70	736	9.47	20,337
County Offices	5,040	2,618	7,721	7.50	16,106
Total, FmHA	7,937	3,054 2/	10,842	8.09	17,373
FISCAL YEAR 1980: (estimate)					
National Office	485 1/	45	520	10.05	23,094
Finance Office	540	130	660	6.80	15,626
State Offices	1,040	150	1,180	9.55	21,945
District Offices	900	75	780	9.55	21,945
County Offices	5,399	3,300	8,175	7.52	17,280
Total, FmHA	8,364	3,700 2/	11,315	8.09	18,590
FISCAL YEAR 1981: (estimate)					
National Office	485 1/	45	520	10.05	23,094
Finance Office	540	130	660	6.80	15,626
State Offices	1,000	150	1,140	9.55	21,945
District Offices	925	75	800	9.65	22,170
County Offices	5,414	3,300	7,823	7.62	17,510
Total, FmHA	8,364	3,700 2/	10,943	8.17	18,770

1/ Includes field employees currently located in the National Office for career development training as follows: 1979, 33; 1980, 34; and 1981, 34.

2/ Excludes disadvantaged summer youth and other trainees as follows: 1979, 410; 1980, 600; and 1981, 600.

FARMERS HOME ADMINISTRATION

The 1981 Budget Estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Community Fire Protection Grants

[For grants pursuant to section 7 of the Cooperative Forestry Assistance Act of 1978 (P.L. 95-313), $3,500,000 to fund up to 50 per centum of the cost of organizing, training, and equipment for rural volunteer fire departments.]

This change would delete the language contained in the Agriculture, Rural Development, and Related Agencies Appropriation Act, 1980, P.L. 96-108, approved November 9, 1979.

No funds are requested for fiscal year 1981, since other assistance for this purpose is available through other programs.

Rural Community Fire Protection Grants

Appropriation Act, 1980	$3,500,000
Budget Estimate, 1981	- -
Decrease in Appropriation	-3,500,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1979	1980 (estimated)	Increase or Decrease	1981 (estimated)
Rural community fire protection grants	$3,495,595	$3,500,000	$-3,500,000	- -
Unobligated balance lapsing	4,405	- -	- -	- -
Total appropriation	3,500,000	3,500,000	-3,500,000(1)	- -

EXPLANATION OF PROGRAM

This assistance was authorized by section 7 of the Cooperative Forestry Assistance Act of 1978. Grants are made to public bodies to organize, train, and equip local fire-fighting forces, including those of Indian tribes or other native groups, to prevent, control, and suppress fires threatening human lives, crops, livestock, farmsteads or other improvements, pastures, orchards, wildlife, rangeland, woodland, and other resources in rural areas.

JUSTIFICATION OF DECREASE

(1) A decrease of $3,500,000 for the Rural Community Fire Protection Grant Program ($3,500,000 available in 1980).

Need for Change. This program, if continued, would provide Fire-fighting equipment and funds for organizing and training of personnel to rural communities to assist in fire control. Adequate credit assistance to provide equipment is available at reasonable interest rates and terms through the community facility loan program under the Rural Development Insurance Fund. Surplus Government equipment which can be used for fire-fighting is also available from the Forest Service. Therefore, the separate appropriation for these purposes is not needed.

Nature of Change. The program will be terminated in FY 1981.

STATUS OF PROGRAM

Rural Community Fire Protection Grants

During fiscal year 1979, 3,326 grants totaling $3,495,595 were made. It is anticipated that in fiscal year 1980, 3,315 grants will be obligated in the amount of $3.5 million. These grants are administered by the Forest Service to fund up to 50 percent of the cost to organize, train, and equip local fire departments.

The FY 1980 appropriation provides $3,500,000 for this program.

FARMERS HOME ADMINISTRATION

Rural Community Fire Protection Grants
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	54,000	54,000	--
Alaska	64,300	64,300	--
Arizona	49,700	49,700	--
Arkansas	55,200	55,200	--
California	134,800	134,800	--
Colorado	63,800	63,800	--
Connecticut	24,800	24,800	--
Delaware	17,600	17,600	--
Florida	72,100	72,100	--
Georgia	65,600	65,600	--
Hawaii	24,000	24,000	--
Idaho	37,700	37,700	--
Illinois	131,300	131,300	--
Indiana	89,900	89,900	--
Iowa	117,300	117,300	--
Kansas	115,100	115,100	--
Kentucky	59,400	59,400	--
Louisiana	74,700	74,700	--
Maine	26,800	26,800	--
Maryland	37,600	37,600	--
Massachusetts	27,900	27,900	--
Michigan	94,400	94,400	--
Minnesota	133,000	133,000	--
Mississippi	54,800	54,800	--
Missouri	97,600	97,600	--
Montana	66,100	66,100	--
Nebraska	87,200	87,200	--
Nevada	26,300	26,300	--
New Hampshire	19,400	19,400	--
New Jersey	37,900	37,900	--
New Mexico	31,000	31,000	--
New York	92,200	92,200	--
North Carolina	78,200	78,200	--
North Dakota	106,000	106,000	--
Ohio	101,900	101,900	--
Oklahoma	67,100	67,100	--
Oregon	45,400	45,400	--
Pennsylvania	102,100	102,100	--
Rhode Island	14,700	14,700	--
South Carolina	50,200	50,200	--
South Dakota	81,300	81,300	--
Tennessee	62,300	62,300	--
Texas	175,700	175,700	--
Utah	32,900	32,900	--
Vermont	20,100	20,100	--
Virginia	53,600	53,600	--
Washington	56,800	56,800	--
West Virginia	34,200	34,200	--
Wisconsin	88,400	88,400	--
Wyoming	25,600	25,600	--
Puerto Rico	15,000	15,000	--
Virgin Islands	15,000	15,000	--
Guam	15,000	15,000	--
Administration and Tecnical Assistanc	170,595	175,000	--
Total	3,495,595	3,500,000	--

FARMERS HOME ADMINISTRATION

The 1981 Budget Estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Very Low-Income Housing Repair Grants

1,2 For grants [to the elderly] for essential repairs to dwellings of very-low income persons pursuant to section 504 of the Housing Act of 1949, as amended, [$24,000,000] $25,000,000.

The first change would delete the phrase "to the elderly" in order to make the appropriation language consistent with the program authorization, (42 U.S.C. 1474), which makes grants available to persons of "low income" without respect to age.

The second change inserts a phrase to clarify the intent that grants are available to persons of very-low income for essential repairs only.

Very Low-Income Housing Repair Grants

Appropriation Act, 1980	$24,000,000
Budget Estimate, 1981	25,000,000
Increase in Appropriation	+1,000,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1979	1980 (estimated)	Increase or Decrease	1981 (estimated)
Rural housing repair for the elderly	$18,999,980	$24,000,000	$+1,000,000	$25,000,000
Unobligated balance lapsing	20	- -	- -	- -
Total appropriation	19,000,000	24,000,000	+1,000,000(1)	25,000,000

EXPLANATION OF PROGRAM

This grant program is authorized under Section 504 of Title V of the Housing Act of 1949, as amended. The rural housing repair grant program is carried out by making grants for very low-income persons to make necessary repairs to their dwellings in order to make such dwellings safe and sanitary, and remove hazards to the health of the occupants, their families, or the community.

The grants may be made to cover the cost of improvements or additions, such as repairing roofs, providing toilet facilities, providing a covenient and sanitary water supply, installing screens, repairing or providing structural supports, or making similar repairs, additions, or improvements including all preliminary and installation costs in obtaining central water and sewer service. A grant can be made in combination with a Section 504 very low-income housing repair loan.

No assistance can be extended to any one individual in the form of a loan, grant, or combined loan and grant in excess of $7,500 and grant assistance is limited to persons or families of very low income.

JUSTIFICATION OF INCREASE

(1) An increase of $1,000,000 for the Very Low-Income Housing Repair Grant program ($24,000,000 available in 1980).

Need for Change. Since the housing repair grant program was implemented in January 1976, the demand for assistance has indicated a need that has not been met in the past, and is not currently being met by other existing programs. In general, the persons who are assisted under the program are long-term residents of their communities and are living on small fixed incomes. Alternative housing is usually not available. By expanding this program, FmHA will be able to reach many of the rural poor who have not been assisted because of inability to repay a low-interest loan.

Nature of Change. This increase will enable the agency to maintain adequate level of grants.

STATUS OF PROGRAM

Very Low-Income Housing Repair Grants (sec. 504)

In fiscal year 1979, 6,842 housing repair grants, totaling $18,999,980 were made to very low-income persons. The FY 1980 appropriation provides $24,000,000 for this program. The grants are used in conjunction with low interest loans under Section 504 to provide for essential repair of dwellings in cases where the low income person cannot afford to repay loans at even very low interest rates.

FARMERS HOME ADMINISTRATION

Rural Housing Repair Grants
Account

Very-Low Income Repair Grants
Program

Obligations by Geographic Area

	Fiscal Year 1979	Fiscal Year 1980	Fiscal Year 1981
Alabama	519,890	700,000	800,000
Alaska	37,020	100,000	150,000
Arizona	124,320	200,000	250,000
Arkansas	651,200	725,000	625,000
California	356,380	600,000	700,000
Colorado	387,750	350,000	250,000
Connecticut	41,840	125,000	150,000
Delaware	105,840	125,000	100,000
Florida	301,210	550,000	725,000
Georgia	589,470	850,000	1,000,000
Hawaii	74,700	100,000	100,000
Idaho	89,650	125,000	125,000
Illinois	771,670	750,000	700,000
Indiana	239,360	425,000	550,000
Iowa	236,120	375,000	450,000
Kansas	151,730	250,000	300,000
Kentucky	629,660	850,000	950,000
Louisiana	594,240	700,000	725,000
Maine	469,770	425,000	250,000
Maryland	296,590	500,000	300,000
Massachusetts	130,580	200,000	200,000
Michigan	342,800	550,000	650,000
Minnesota	281,940	400,000	500,000
Mississippi	1,140,830	1,125,000	850,000
Missouri	659,750	750,000	700,000
Montana	61,170	100,000	150,000
Nebraska	154,290	200,000	225,000
Nevada	48,190	100,000	100,000
New Hampshire	116,380	150,000	150,000
New Jersey	200,830	225,000	250,000
New Mexico	730,310	600,000	350,000
New York	433,500	600,000	650,000
North Carolina	813,320	1,050,000	1,150,000
North Dakota	256,930	250,000	200,000
Ohio	450,530	675,000	800,000
Oklahoma	442,000	475,000	425,000
Oregon	337,210	325,000	250,000
Pennsylvania	604,020	850,000	1,100,000
Rhode Island	44,370	100,000	100,000
South Carolina	385,620	575,000	675,000
South Dakota	132,970	150,000	175,000
Tennessee	344,680	600,000	800,000
Texas	1,049,500	1,300,000	1,375,000
Utah	43,430	100,000	100,000
Vermont	190,520	175,000	125,000
Virginia	360,200	525,000	675,000
Washington	185,410	225,000	250,000
West Virginia	376,510	425,000	475,000
Wisconsin	363,240	475,000	550,000
Wyoming	119,770	125,000	125,000
Puerto Rico	1,221,140	1,350,000	1,200,000
Virgin Islands	27,520	100,000	100,000
Amer. Samoa	85,300	100,000	100,000
Guam	--	25,000	25,000
Trust Territories	196,810	200,000	250,000
Total	18,999,980	24,000,000	25,000,000

STATUS OF PROGRAM

Community Services Loan Fund

The Headstart, Economic Opportunity, and Community Partnership Act of 1974, P.L. 93-644 dated January 4, 1975, transferred the remainder of the funds provided for in part A of Title III of the Economic Opportunity Act to the Community Services Administration.

The Economic Opportunity Act of 1964 (Public Law 88-452), approved August 20, 1964, authorized two new loan programs aimed at helping poor rural families improve their income through their own enterprise.

This program was administered by the Farmers Home Administration of the Department of Agriculture for the Office of Economic Opportunity through delegation of authority. Under the program, loans were provided to low income rural residents for small farm and non-farm enterprises to help to increase income. Loans were also made to rural cooperative enterprises serving the rural poor through purchasing, processing, and marketing activities.

No new loans have been made since the middle of 1971. The Farmers Home Administration is servicing outstanding loans totaling $9.8 million, as of Sept. 30, 1979.

As of Sept. 30, 1979, a total of 4,793 individual borrowers had outstanding loans of $3.8 million, principal payments were $82.1 million, write-offs were $22.9 million and judgments were $300,000. Interest payments totaled $16.5 million and interest write-offs were $2.8 million.

As of Sept. 30, 1979, a total of 121 cooperatives had outstanding loans of $6.0 million, principal payments were $10.8 million and write-offs were $4.2 million. Interest payments totaled $5.1 million and interest write-offs were $651,000.

PASSENGER MOTOR VEHICLES

The 1981 Budget Estimates do not propose replacement of any passenger motor vehicles.

The passenger motor vehicles of the Farmers Home Administration are used primarily by the County Supervisors in the Pacific Trust Territories, Guam, American Samoa, Puerto Rico, and the Virgin Islands for the performance of their daily work. None of the vehicles are used in the 50 United States or Washington, D. C. The vehicles are used in areas where privately-owned vehicles and common carrier facilities are either nonexistent, uneconomical, or inadequate due to the nature of the travel which requires a high degree of mobility with frequent stops at rural housing sites and farm properties. FmHA personnel are required to inspect and appraise homes and farms on which loan applications are pending. They also must visit various properties frequently to perform loan servicing activities.

Passenger motor vehicles are not assigned to one individual exclusively at locations where more than one employee has need for them. This allows several employees to use a single vehicle and minimizes the number and maintenance costs.

Age and mileage data for Farmers Home Administration passenger motor vehicles on hand as of September 30, 1979, are as follows:

Model	Number of Vehicles	Percent of Total	Lifetime Mileage (thousands)	Number of Vehicles	Percent of Total
1968	1	6	40-60	1	6
1976	1	6	20-40	8	44
1977	16	88	under 20	9	50
Total	18	100	Total	18	100

GENERAL PROVISIONS

Section 601: Provides authority for the purchase, replacement, and hire of passenger motor vehicles. The following changes are proposed in this section for 1981 (new language underscored: deleted matter enclosed in brackets):

> Sec. 601. Within the unit limit of cost fixed by law, appropriations and authorizations made for the Department of Agriculture for the fiscal year [1980] 1981 under this Act shall be available for the purchase, in addition to those specifically provided for, of not to exceed [six hundred sixty-eight (668)] six hundred eighty-nine (689) passenger motor vehicles of which [five-hundred eighty-one (581)] six hundred fourteen (614) shall be for replacement only, and for the hire of such vehicles.

The first change adds language making this portion of the General Provisions applicable to fiscal year 1981.

The second and third changes revise the total number of passenger motor vehicles to be acquired in fiscal year 1981. The estimates proposed the acquisition of 689 passenger motor vehicles. Of this amount 614 would be acquired to replace existing vehicles. Of the 75 vehicles to be acquired without exchange, 50 are to replace light trucks owned by the Soil Conservation Service. Twenty-five new acquisitions are to meet the transportation needs of the Federal Grain Inspection Service.

Section 602: Provides that funds available to the Department of Agriculture shall be available for uniforms or allowances as authorized by law (5 U.S.C. 5901-5902).

> Sec. 602. Funds available to the Department of Agriculture shall be available for uniforms or allowances therefor as authorized by law (5 U.S.C. 5901-5902).

Section 603: Provides that not less than $1,500,000 of the appropriations of the Department for research and service work authorized by the Acts of August 14, 1946, July 28, 1954, and September 6, 1958 (7 U.S.C. 427, 1621-1629; 42 U.S.C. 1891-1893), shall be available for contracting in accordance with these Acts.

> Sec. 603. Not less than $1,500,000 of the appropriations of the Department of Agriculture for research and service work authorized by the Acts of August 14, 1946, July 28, 1954, and September 6, 1958 (7 U.S.C. 427, 1621-1629; 42 U.S.C. 1891-1893), shall be available for contracting in accordance with said Acts.

Section 604: Provides that no part of any appropriation in this Act shall be used to make production or other payments to a person, persons, or corporations who harvest or knowingly permit to be harvested for illegal use, marihuana, or other prohibited drug-producing plants on lands owned or controlled by such persons or corporations.

> Sec. 604. No part of the funds contained in this Act may be used to make production or other payments to a person, persons, or corporations who harvest or knowingly permit to be harvested for illegal use, marihuana, or other such prohibited drug-producing plants on any part of lands owned or controlled by such persons or corporations.

Section 605: Provides that advances of money from any appropriation for the Department of Agriculture may be made by authority of the Secretary of Agriculture to chiefs of field parties.

> Sec. 605. Advances of money from any appropriation for the Department of Agriculture may be made by authority of the Secretary of Agriculture to chiefs of field parties.

Section 606: Provides a limitation on obligations to be charged to the Working Capital Fund. The following changes are proposed in this section for fiscal year 1981 (new language underscored; deleted matter enclosed in brackets):

> Sec. 606. Obligations chargeable against the Working Capital Fund during the period October 1, [1979] 1980, through September 30, [1980] 1981, shall not exceed [$61,000,000] $67,844,000: Provided, That no funds appropriated to an agency of the Department shall be transferred to the Working Capital Fund without the approval of the agency administrator.

The first and second changes are necessary to make this portion of the General Provisions applicable to fiscal year 1981.

The third change would increase the limitation on obligations chargeable against the Working Capital Fund from $61,000,000 to $67,844,000. This is necessary to allow the Department to provide all the Working Capital Fund services expected to be requested by its agencies for fiscal year 1981.

Section 607: This section provides that certain funds remain available until expended.

> Sec. 607. New obligational authority provided for the following appropriation items in this Act shall remain available until expended: Scientific Activities Overseas (Special Foreign Currency Program); Public Law 480; Rural Housing for Domestic Farm Labor; Mutual and Self-Help Housing; Watershed and Flood Prevention Operations; Resource Conservation and Development; Agricultural Stabilization and Conservation Service Salaries and Expenses funds made available to county committees; and Buildings and Facilities, Food and Drug Administrtion.

Section 608: Provides that no part of any appropriation will be available for obligation beyond the current fiscal year, unless expressly provided for.

> Sec. 608. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

Section 609: Provides that not to exceed $50,000 of the appropriations available to the Department of Agriculture will be available to provide orientation and language training pursuant to Public Law 94-449.

> Sec. 609. Not to exceed $50,000 of the appropriations available to the Department of Agriculture shall be available to provide appropriate orientation and language training pursuant to Public Law 94-449.

Section 610: Provides that employees of the agencies of the Department of Agriculture may be utilized to provide part-time and intermittent assistance to other agencies of the Department, without reimbursement, during periods when they are not otherwise fully utilized.

> Sec. 610. Notwithstanding any other provision of law, employees of the agencies of the Department of Agriculture, including employees of the Agricultural Stabilization and Conservation County Committees, may be utilized to provide part-time and intermittent assistance to other agencies of the Department, without reimbursement during periods when they are not otherwise fully utilized.

Section 611: The following changes are proposed in the language of this section (new language underscored; deleted matter enclosed in brackets):

> [Sec. 611. Funds provided by this Act for personnel compensation and benefits shall be available for obligation for that purpose only.]

This change deletes the entire section 611. This change is requested in order to permit the Secretary, his policy staff and program managers flexibility needed to carry out responsibilities to see that the programs of the Department are operated in the most efficient and effective manner.

REPORT BY THE

Comptroller General

OF THE UNITED STATES

Farmers Home Administration's ADP Development Project--Current Status And Unresolved Problems

In 1974 the Farmers Home Administration began developing a new computer-based information system. Today, its Unified Management Information System (UMIS) project is suffering from poor planning and management. It is at least 5 years behind schedule, and the development cost for UMIS or its alternative may reach $42 million.

Furthermore, the cost to operate the system, as now designed, may prove to be excessive, and it may not meet the basic needs it was intended to fulfill.

UMIS, as currently designed, is no longer a viable approach to meeting FmHA's information needs. The agency is studying alternatives to the system. Before making a final decision, the agency should first determine its information needs.

In developing a new system, the agency needs to improve its project management, including naming a full-time project manager having adequate authority. Also, top level management should increase their level of involvement.

CED-80-67
FEBRUARY 19, 1980

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-197778

The Honorable Jamie L. Whitten
Chairman, Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

In response to your November 26, 1979, request, we obtained answers to the following questions on the Farmers Home Administration's (FmHA's) computer-based systems project--the Unified Management Information System (UMIS).

--What is the current status of the project, the cost to date, and the estimated cost through project completion?

--Is the UMIS project still viable?

--Should alternatives to the UMIS project be considered?

--What factors are responsible for delays in implementing the project and what actions are necessary to eliminate these factors?

For background information on UMIS' development history see appendix I.

STATUS AND COSTS OF UMIS

UMIS was initially planned in 1974 to assist FmHA, a major Federal agency of the Department of Agriculture, provide financial assistance to rural Americans. At the time of our review, FmHA was servicing the accounts of approximately 1.25 million rural Americans. This represents a total outstanding loan balance of $36 billion, an increase of $13 billion, or 57 percent, over 1977.

In 1974, FmHA decided that serious deficiencies with its current computer system warranted its replacement rather than modification. Accordingly, FmHA began developing UMIS--to provide better management information at all levels within the agency to improve service to rural Americans seeking financial assistance. We found, however, that FmHA has not properly designed, documented, and managed the project. As a result, (1) the projected implementation date of the system will be at least 5 years later than planned, (2) the actual costs for UMIS development through December 1979 were $17 million, and according to our estimate the total cost to develop UMIS as designed may reach $42 million, (3) total development costs for any alternative to UMIS may range from $27.5 million to $42 million, including the $17 million already incurred, (4) the operational costs of UMIS, as designed, will be exorbitant, and (5) the system may not meet the basic needs for which it is being developed.

FmHA has not fully utilized a major computer system purchased to support UMIS. In addition, the agency may be required to provide additional computer equipment to extend the operational life of its computer center located in St. Louis. Operation of this computer center was scheduled to be discontinued when UMIS became operational. For a more detailed discussion of project status and costs see appendix II.

IS UMIS VIABLE?

A private consulting firm, Arthur Andersen & Company, reported that UMIS was a high risk project. It questioned the validity of the UMIS design and expressed concern about the project's management. Throughout the development of UMIS, USDA's Office of the Inspector General has informed FmHA management of serious technical problems with the system's design and about ineffective project management. A technical study of UMIS recently completed by FmHA reported that the UMIS Executive Control System (EXEC), a major software component of the system, as designed is not acceptable. It further stated that the EXEC is not salvageable nor will it meet FmHA's requirements even with extensive overhauling. The study also stated that even if all of the EXEC's deficiencies were known, salvaging the EXEC would not be cost effective.

Based on our current review and evaluation and our 1978 review, we have determined that the project as currently designed and managed is not viable.

The identified risks associated with the continuation of UMIS include: (1) the possibility that the system will not work effectively as designed, (2) the cost and time to develop a new system may be less than to complete the project, (3) UMIS, if completed, may not meet the requirements of the users it was intended to serve, and (4) the system, if completed, will present FmHA with major support problems throughout its operational life.

Recently a USDA Task Force was established to conduct a detailed review and analysis of the project to determine whether it is feasible to continue developing UMIS or if the agency could meet its needs more effectively by another alternative. The results of this evaluation, coupled with our review, should provide FmHA with a sound basis for making a final determination on UMIS or its appropriate alternative.

Notwithstanding that the purpose of UMIS is to provide managers with accurate and timely information, FmHA has not adequately studied and defined its information needs. Therefore, there is no assurance that if UMIS or its alternative becomes operational it will provide needed information or be cost effective. For a detailed discussion of the system's viability see appendix III.

ALTERNATIVES TO UMIS

Since continuing the development of UMIS is no longer viable, alternatives should be identified and evaluated. In appendix IV we have identified alternatives that the USDA Task Force studying UMIS should consider. These and other alternatives the Task Force may identify should provide new approaches to fulfilling FmHA's information requirements.

However, because FmHA did not adequately determine its information requirements prior to designing UMIS or adequately monitor changes to user needs during the last 5 years, we found that sufficient information is not available to identify all alternatives. We believe the Task Force addressing UMIS alternatives will encounter similar problems. Inadequate requirements information coupled with incomplete cost information preclude (1) identifying all alternatives

to UMIS, (2) determining the cost of each alternative, or (3) preparing a cost benefit study to determine the most effective alternative. We believe that if FmHA selects an alternative to UMIS without first conducting a requirements study, the selected alternative may also incur high risks.

In developing UMIS, FmHA did not adequately study and define the information needs of it managers. A consulting firm was hired to define the types of information that UMIS should provide; however, FmHA predetermined that all users required on-line services with information updates performed on a daily basis. Although the information elements to be collected and reported in the system are probably valid, serious questions exist as to whether all the information should be processed on-line with daily updates. Before deciding on the technical architecture of the system, FmHA should have required the project team to

--study data and information attributes, such as expected volumes of data and where in the agency the information will originate,

--determine how quickly information was needed to complete work assignments, and

--study how frequently information should be updated to keep managers adequately informed, and how critical the information is to agency managers in meeting borrower needs.

A more detailed discussion of alternatives to the UMIS design is contained in appendix IV.

PROJECT MANAGEMENT IMPROVEMENTS ARE NEEDED IN DEVELOPING AN ALTERNATIVE TO UMIS

To develop and implement a management information system that is both cost-effective and meets the basic requirements of FmHA management, it is essential that FmHA not only determine user requirements but assign a high priority to improving its project management capabilities. Although FmHA has attempted to improve its management and strengthen controls over the UMIS project, these efforts have not met their objectives. Most UMIS delays, cost increases and capability shortfalls resulted because FmHA did not (1) assign a project manager who would be dedicated to the project on a full-time basis with responsibility for managing the contractor and assuming full technical and administrative responsibility

for project completion, (2) prepare a comprehensive system development plan identifying milestones and critical decision points, and (3) use standard ADP project control measures, such as cost accounting and budget preparation procedures.

Any alternative selected by FmHA to replace UMIS will be a major software development project similar in scope to UMIS. Therefore, FmHA must address the project management issue of effectively planning, managing, and controlling a complex ADP development project. If the management issue is not appropriately resolved, any future development effort will in all probability result in further delays and excessive cost overruns.

Regardless of the alternative selected to replace UMIS, FmHA management should increase its awareness of the complexity of the software development project. Developing a sophisticated management information system represents a considerable investment of resources--people, money, and equipment. Therefore, a project control and cost mechanism to track and review each stage of the system's development is a prerequisite to responsible project management--both in terms of meeting development milestones and controlling costs.

Since 1977, FmHA has been aware of the need for a system for monitoring the development and cost of UMIS; nevertheless, an effective system has not been implemented. Because FmHA has not provided adequate management control over the project, it has not prevented or mitigated the effects of project slippages. For example, the agency lacks a cost collection system capable of providing the information needed for (1) controlling costs, (2) determining actual expenditures, (3) estimating the cost to complete the project, and (4) projecting the system's operational cost following the development phase. For further information see appendix V.

RECOMMENDATIONS

To assist FmHA in dealing with UMIS problems and to initiate corrective action, we recommend that the Secretary of Agriculture direct FmHA to:

--Redefine information requirements to meet agency (user) needs and express them in terms which are more specific and quantifiable to establish performance criteria for evaluating UMIS alternatives.

--Obtain from the Office of the Secretary of Agriculture approval of FmHA's information requirements study prior to continuing or beginning any new development effort. The study should also be submitted to the appropriate congressional oversight committees. Should the USDA Task Force uncover new information then UMIS should be reevaluated.

--Identify all alternatives to UMIS based on a complete functional requirements study and prepare a documented analysis of alternatives and a cost benefit study.

--Develop the most cost effective alternative to meeting FmHA's needs based on the above studies and the technical Task Force report.

--Develop and implement standard project control techniques. For example, establish documentation standards, hold documentation reviews, establish firm software test procedures, and improve System Change Request (SCR) controls.

--Intensify its effort in installing PAC II--a computerized project control mechanism for developing software. This is necessary to monitor progress of a development project, identify and analyze schedule and cost variances, and to better plan the use of resources.

--Install a cost accounting system, as part of a project control mechanism, to account for all costs incurred during the system design, development, and operational life cycle. Total life cycle cost estimates should be updated on a regular basis.

--Assign a full-time project manager to the project development team.

--Strengthen its ADP steering committee, increase top management involvement in the project, and provide for management continuity.

--Establish a budget for major software development projects to cover the development and operation phases, and note such projects as a separate line item in FmHA's budget justification.

- - - -

We have discussed this report with top management officials from (1) FmHA's Office of the Administrator and the National Finance Center, and (2) USDA's Office of the Director of Operations and Finance and the Office of the Inspector General. Although FmHA and USDA officials concurred with the thrust of our report and the corrective actions required for the successful completion of a computer-based information system, they took exception to our projection of development costs and the extent to which the UMIS project is viable. With respect to our projected costs USDA and FmHA officials offered no new information that would change our position. See appendix II for a more detailed discussion. Concerning our position on the viability of UMIS we disclosed that two critical components of UMIS, the EXEC and the data base are not viable, and further, the information requirements are not valid. Consequently, UMIS as designed is not viable. This is discussed in greater detail in appendix III.

During the final stage of our review, a USDA Task Force was established to address the issues contained in our report. We believe the objectives of the Task Force are consistent with our recommendations.

We also discussed the facts contained in our report with the consulting firms involved in the UMIS development. The firms agreed with the facts as they relate to their involvement.

This is the second report on the UMIS project we have issued to you in the past 2 years. The first report was issued to your subcommittee on February 27, 1978, and addressed many of the management and technical problems associated with UMIS. FmHA generally agreed with our conclusions and recommendations for corrective action at that time. However, we noted in this review that little action has been taken by the agency to implement those recommendations.

B-197778

As agreed with your office, the initial distribution of this report is being made only to your committee for use during appropriations hearings on FmHA scheduled for March 4, 1980. Further, normal distribution of this report will be made to the agency and other interested parties following the hearings.

Sincerely yours,

Comptroller General
of the United States

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ABBREVIATIONS

BIOC	Basic Initial Operating Concept
EXEC	Executive Control System
FFS	Full Field Service
FmHA	Farmers Home Administration
GAO	General Accounting Office
KCCC	Kansas City Computer Center
NOC	National Operating Center
OIG	Office of Inspector General
OMB	Office of Management and Budget
SDC	System Development Corporation
UMIS	Unified Management Information System
USDA	U.S. Department of Agriculture

BACKGROUND INFORMATION

The Farmers Home Administration was established in 1946 as the successor agency to the Farm Security Administration and the earlier Resettlement Administration. It has grown from a credit agency for low-income farmers to a major Federal agency providing financial assistance for agricultural and rural development.

FmHA operates principally under the Consolidated Farm and Rural Development Act (U.S.C. 1921) and title V of the Housing Act of 1949 (42 U.S.C. 1471). FmHA provides services through 46 State offices, the National Finance Office in St. Louis, Missouri, and approximately 2,000 county offices. Of its approximately 11,030 employees, 575 are based in Washington and 10,455 in the field offices.

In fiscal year 1979, FmHA was servicing the accounts of about 1.25 million individual and association borrowers with a principal indebtedness of $36 billion. This is more than a $13 billion increase in principal indebtedness in 2 years.

PRESENT INFORMATION AND REPORTING SYSTEM

FmHA's current computer-based information and reporting system is supported by the computer center, located in FmHA's National Finance Office. The majority of the computer center resources are used to process loan accounting data for programs serving rural Americans. Other FmHA data processing requirements are provided by various U.S. Department of Agriculture (USDA) computer centers.

County offices prepare and forward information on program participants (the borrowers) to the National Finance Office. In turn, this Office usually mails information directly to the program participants. An exception is the County Office Inquiry Station located in the FmHA Finance Office. County offices may call the Inquiry Station for information on the status of a borrower's account. Inquiry Station terminal operators directly access computer files and orally provide county offices with the requested information on loan accounts.

FmHA's DECISION TO DEVELOP A NEW MANAGEMENT INFORMATION SYSTEM

Because of serious deficiencies in the current accounting and information system, in 1974 FmHA decided to replace, rather than modify, the current system. Accordingly, FmHA began developing UMIS--to provide better management

information at all levels of the agency. FmHA specified that the objectives for UMIS were to:

--Provide responsive, timely management information to managers at all office levels--county, district, State, finance, and national.

--Minimize office workloads required to provide basic input data.

--Improve the capability to serve loan applicants and borrowers in rural America.

--Provide an accounting system that meets General Accounting Office requirements.

To meet these objectives, FmHA initially specified that UMIS would provide remote computer capability in all county and State offices as well as the St. Louis Finance Office and the National Office. This concept, referred to as full field service (FFS), would provide for the immediate entry into the system and processing of transactions by county offices. The system would provide daily alerts on delinquent borrowers and immediate responses to individual inquiries.

Our earlier report on UMIS dated February 27, 1978, (CED-78-68) which addressed a number of issues and problems also questioned whether FmHA could substantiate the need for the immediate processing of all transactions. As a result, FmHA agreed to develop another version of UMIS, termed the national operating center (NOC) concept. It was also agreed that the possibility of converting NOC to FFS would remain open if it could be justified.

NOC is intended to provide remote computer capability in FmHA State, finance, and national offices but not at its county offices. Under NOC, most county office transactions would be mailed to the Finance Office in St. Louis where transactions would be processed. Borrower inquiries and check requests required by county offices are satisfied by telephone calls to the Inquiry Station at the FmHA Finance Office. This is essentially the current FmHA method of operation. Under UMIS, State offices will use computer terminals to obtain management information. The system will not provide daily alerts but information on delinquencies will be printed and mailed weekly from the Finance Office.

HISTORY OF FmHA's
DEVELOPMENT OF UMIS

The following summary shows the relevant dates and decisions FmHA made in the development of UMIS.

--In October 1974, USDA established a Management Information System Task Force to study agency information needs and user requirements. This group in conjunction with Joint Financial Management Improvement Program personnel prepared and distributed an information requirements survey to FmHA personnel at all levels. Although the survey was completed by April 1975, the results were not summarized or evaluated.

--In July 1975, FmHA issued a Request for Proposal for the design (phase I of the project). On November 25, 1975, System Development Corporation (SDC) was awarded a contract to develop UMIS and the Director of FmHA's Management and Information Systems staff was appointed as UMIS project manager in addition to his regular duties. SDC developed an overall design for UMIS and broad specifications for the 13 subsystems which would make up the total system. At this point, it was estimated by FmHA and SDC that UMIS would be partially operational in October 1977 and fully operational in October 1978.

--In May 1976, the development and implementation of UMIS was begun under phase II of the project. FmHA modified its original development plan which was based on the early acquisition of a computer system to support UMIS. The computer hardware purchase for the Kansas City Computer Center (KCCC), the planned support computer for UMIS, was delayed. FmHA decided to develop a computer independent software system capable of operating on the equipment of any hardware supplier awarded the computer contract. FmHA's management recognized that the decision to proceed with development without knowing the target computer vendor might be a high risk decision. However, FmHA decided that a potential delay in development of 1 to 2 years was unacceptable and proceeded with the UMIS project.

--In January 1977, GAO briefed the House of Representatives Government Operations Committee on UMIS and questioned whether FmHA could substantiate the need for the level of support UMIS was designed to

provide. As a result, FmHA agreed to develop the NOC concept. Both the level of service and cost of NOC are lower than that provided by FFS.

--From March 1976 to June 1978, USDA's Office of the Inspector General (OIG), issued 24 informal reports called Systems Development Advisory Memorandums to FmHA on the UMIS project. This informal method was used by OIG to provide timely information to FmHA officials on problems as the system was under development.

--During January 1978, the contract to provide computer hardware for the KCCC was awarded to Honeywell Inc. Development and design of UMIS had been underway for 20 months at the time of the award.

--In February 1978, GAO reported to the Congress on the status of the UMIS project (CED-78-68). We reported that FmHA was encountering serious problems with its management and control of UMIS. Additionally, we stated that FmHA did not base its initial decision to develop UMIS on an adequate study of agency information requirements.

--In April 1978, SDC personnel obtained documentation on the operating capability and limitations of Honeywell's hardware and software. We were told that this was the first time the personnel responsible for designing UMIS were provided detailed information on the operating capabilities and limitations of the computer hardware and software purchased to support UMIS.

--In August 1979, SDC informed FmHA that it could not complete the UMIS Executive Control System (EXEC) by the revised completion date of September 1979. FmHA worked with SDC in developing a new contract and began a review of the project under the direction of the FmHA steering committee.

--In September 1979, SDC submitted a fixed-price proposal to complete the executive system software. SDC estimated that it could complete the work in approximately 9 months. FmHA rejected SDC's bid and terminated the contractor's work.

--In October 1979, FmHA contracted with Arthur Andersen & Co. for a review of UMIS. In November 1979, Arthur Andersen reported that UMIS was a high risk technical

project and recommended that FmHA establish two review teams to determine if UMIS is viable. Arthur Andersen also questioned the ability of UMIS to meet agency needs and pointed out serious weaknesses with FmHA's management of the project.

--In November 1979, USDA's Assistant Secretary for Administration directed FmHA to take action on Arthur Andersen's recommendations. On December 17, 1979, USDA withdrew FmHA's authorization for UMIS development and established a USDA Task Force to study UMIS. On January 23, 1980, USDA issued guidelines to the USDA Task Force reviewing UMIS.

SCOPE

We primarily directed our review toward obtaining updated information on the UMIS project. In doing so we used considerable information that was developed during our previous review which resulted in a report issued in 1978. We also obtained information from FmHA's field offices and representatives from two consulting firms involved in the development and review of UMIS.

In addition, we visited the Farmers Home Administration's National Office in Washington, D.C., and the Finance Office in St. Louis, Missouri. We also visited the Department of Agriculture's Office of the Director of Operations and Finance, which is responsible for Department-wide ADP policy, and the Office of the Inspector General. Finally, we reviewed records and documents pertaining to UMIS at the various offices we visited.

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STATUS AND COSTS OF UMIS

FmHA requires an improved and effective accounting and information system to deliver better management information to all offices and levels within the agency and to improve service to rural Americans seeking financial assistance. However, FmHA has encountered serious problems in developing the system. As a result, (1) the projected implementation date of the system will be at least 5 years later than planned, (2) the actual costs for UMIS development through December 1979 are $17 million, and according to our estimate the total cost to develop UMIS as designed may be $42 million, (3) total development costs for any alternative to UMIS may range from $27.5 million to $42 million including the $17 million already incurred, (4) the operational costs of UMIS, as designed may prove to be excessive, and (5) the system may not meet the basic needs for which it is being developed.

STATUS

FmHA initiated the UMIS project in 1974 to provide improved computer information support at all levels of the agency from the county offices through the national office in Washington, D.C. Based upon this decision, FmHA hired consultants to (1) assist in determining the agency's information requirements and (2) help design and develop the computer programs to provide this information. FmHA has invested considerable time, money, and effort in the project. However, technical and management problems have resulted in extensive project slippage, and FmHA and USDA are studying the best approach to complete the project.

When completed, UMIS may be 5-7 years behind schedule

In 1975, the UMIS software development effort was divided between FmHA personnel and the contractor. FmHA personnel were responsible for developing computer application programs. SDC contracted to develop the EXEC, a central software component of UMIS, required to perform many major system level tasks and assist in the development and design of the total system. The EXEC was scheduled for completion in 1978.

While developing the EXEC, FmHA and the contractor experienced numerous program slippages. FmHA has modified the development and implementation contract (UMIS-phase II) with SDC 11 times as of September 1978. One of these

modifications extended the EXEC completion date through September 1979.

When SDC recognized it could not complete the EXEC by the revised date, it notified FmHA that an additional 9 months were required to complete the EXEC. FmHA decided in September 1979 to discontinue the services of SDC and to complete the EXEC using FmHA personnel.

At the same time FmHA hired Arthur Andersen & Co. to review the project's technical and management problems. Arthur Andersen reported that:

--The EXEC is a high risk technical project and that completion might not be economically justified.

--UMIS may not adequately meet user needs when completed.

--Design problems raise serious questions about the system's efficiency and effectiveness, if completed.

Arthur Andersen believes that the projected completion date of December 1983 for UMIS is optimistic.

FmHA and USDA are studying alternative methods for completing UMIS

UMIS design problems, identified in appendix III, caused FmHA and USDA to question the effectiveness of the system. Subsequently, USDA formed a Task Force to develop a project recovery plan. Pending completion of its work, the UMIS project team in St. Louis is continuing with the development of UMIS with a concentration on work which will be needed under any alternative to UMIS.

Original Design

The original UMIS design consists of three major components. These components are

--computer application programs,

--EXEC, and

--common use data base.

Approximately 1,000 application programs would process data and prepare reports to help user organizations carry out

FmHA program objectives. These programs would be called from computer memory and controlled by the EXEC.

The EXEC is comprised of approximately 70 computer programs designed to interact with the computer and the UMIS application programs. In essence, the EXEC would control the operation of UMIS including the processing of data and generating reports.

The EXEC programs operate as five major subsystems with each subsystem handling unique UMIS control functions. The subsystems are:

--Data Dictionary.

--Cathode Ray Tube (Display screen for users).

--Nightly Batch Update.

--Remote Batch Transaction.

--Background Batch Processing.

The UMIS data base would be the respository of nearly all data concerning FmHA's financial operations. It would also contain information to assist in other management functions, such as loan program planning. The data base, consisting of 1.25 million to 1.75 million borrower and other types of records, would be stored on 40 to 50 disk devices on the Honeywell computer system.

The UMIS components would operate on Honeywell hardware and software at the KCCC. The Honeywell hardware would consist of memory, multiple computer processors, and peripheral equipment such as tape and disk devices for storing data. Some of the Honeywell hardware is installed and operating at the KCCC. The Honeywell software, also called system software, would consist of the computer programs which (1) direct hardware components to operate as a unit and (2) process the UMIS application and EXEC programs.

FmHA believed that UMIS could be implemented in either the NOC mode or, with the addition of terminals and a telecommunications network, the FFS mode. Both NOC and FFS are totally dependent upon an operational Executive Control System. Nearly all NOC and FFS application programs written to date rely on the EXEC for their operational capabilities. Barring a major redesign and development effort, neither mode will operate without the EXEC.

USDA TASK FORCE

Recently USDA established a Task Force to examine UMIS technical and management problems. This Task Force is led by an official of USDA's Data Services and consists of personnel from Data Services and FmHA. The Task Force plans to evaluate UMIS and recommend to FmHA actions to provide a cost effective management information system.

The Task Force will consist of a coordination group and three review teams. The coordination group will define tasks, set schedules, develop recommendations, and coordinate the three review teams' activities. Each review team will concentrate on one of the following areas:

--FmHA's functional requirements.

--UMIS technical issues.

--UMIS management and project control.

The Task Force is scheduled to begin work in early 1980 and plans to issue a final report within 60 to 90 days after the starting date. The final report will include the Task Force's findings and recommendations for a UMIS recovery plan.

The purpose of the Task Force is to evaluate the status of UMIS and recommend the direction to be taken and actions needed to provide FmHA with a cost effective and timely management information system.

St. Louis project team

A group within the St. Louis project office has studied the five major subsystems of the EXEC and on January 4, 1980, decided to develop a modified version of the UMIS EXEC. Under this modified approach FmHA would complete two of the five subsystems which make up the EXEC. It also plans to modify a third subsystem which is part of the EXEC's design. The remaining two subsystems will not be used.

The decision to continue working on the three EXEC subsystems is consistent with an earlier decision to implement UMIS in phases. FmHA initially believed that a phased development approach would make UMIS implementation easier to manage and provide users with some service more quickly.

APPENDIX II

Since the EXEC's capabilities are suspect, FmHA personnel in St. Louis believe that the phased approach will provide a quicker determination of the EXEC's effectiveness. The phased approach is a logical outgrowth of the methodology for developing UMIS functional requirements.

FmHA identified several UMIS functions that, if executed on a timely basis, could satisfy the agency's financial and management information needs. The loan application and tracking function is an example. This function is comprised of specific transactions that are handled by computer programs. Borrower/loan initiation, obligation of funds, and check requests are specific transactions within the loan application and tracking function. Each transaction requires one or more computer programs to perform data updating and processing tasks.

Under the phased approach, these functions and transactions would be implemented in the sequence shown on the following table.

UMIS Implementation Phasing By User Function

Function	Phase 1	Phase 2	Phase 3
Loan application and tracking	X	X	X
Fund control	X	X	X
Other controls	X	X	X
Check processing		X	X
Discrepancy processing		X	X
Program loan accounting			X
Investor accounting (partial)			X
Acquired property			X
Investor accounting (balance)			X
Management operating center			X
Program evaluation			X
General ledger			X
Appropriation accounting			X
Budget simulation			X

FmHA estimates that it will require 9 to 12 months of development effort to implement the first phase of the project. Under the phased approach to UMIS development, FmHA plans to develop the project as follows:

--Phase I, which will contain 3 user functions.

--Phase II, which will have 5 user functions.

--Phase III, which will include 14 user functions.

FmHA's project team in St. Louis believes that the phased approach will help in determining the effectiveness of the modified EXEC approach upon completing phase I. Also, having phase I up and running will provide the needed experience to help determine whether the KCCC computer has sufficient processing capability to support all UMIS functions when the entire project is complete. We believe, however, that FmHA could develop quantitative estimates based on known or identifiable constraints to make such a projection without completing phase I. FmHA recognizes that it would be forced to completely redesign UMIS should the first phase indicate that the approach is ineffective.

FmHA officials told us on February 14, 1980, that they are modifying their approach and plan to concentrate on work that would be useable under any alternative chosen for UMIS. Pending completion of the Task Force study, these efforts will concentrate on salvaging useable portions of the data base and application programs.

COST

Although available cost information for UMIS is rough at best, we estimate that the cost to develop the system as designed will exceed its initial estimated budget by $25 million, or 147 percent. This includes approximately $9 million in costs incurred because of delays in developing UMIS. Because of delays, FmHA has not fully utilized the Honeywell computer, a major computer system purchased to support UMIS. In addition, the agency may be required to provide additional computer equipment to extend the operational life of its computer center located in St. Louis.

We estimate that the total development cost of UMIS may reach approximately $42 million. This projected figure is based on the UMIS project being completed by 1985 as it's currently designed.

If UMIS is not completed and other alternatives are pursued, the estimated project costs, at minimum, would be $27.5 million. A more realistic projection would range from $27.5 million to $42 million. The $27.5 million ($17 million incurred through December 1979 and projected personnel costs of $10.5 million) projection is based on the following assumptions:

--The cost for personnel currently working on UMIS will remain constant.

--The system will be operating by 1983.

--There will be no additional costs for computer support during the development phase.

--No additional consulting or contractor expertise will be needed.

These assumptions as noted above are optimistic, especially the completion date of 1983. We envision considerably more time and cost would be required to effectively complete the needed information system. Further, because we did not include an allowance for inflation the cost of personnel services could be much higher.

Additionally, the UMIS initial completion date of September 1979 has not been met. Based on information obtained from the Arthur Andersen report and from FmHA, we estimate the most optimistic date for UMIS as designed to be fully operational is December 1983, and the most realistic date is June 1985.

UMIS development costs have increased because of project slippage

During our review in 1978 we developed an estimate of costs to complete UMIS development. This estimate was based on accounting information supplied by FmHA project officials. Our estimate of total initiation and development costs, based on UMIS being fully operational in 1979, was $16.6 million. At that time FmHA officials agreed with our estimate.

UMIS was not completed in 1979 and each UMIS delay has increased the system's development cost. Based on cost information furnished by FmHA and projected UMIS completion dates developed by Arthur Andersen and Co., we have developed actual development cost data for UMIS through

December 1979 and estimated costs to complete UMIS as currently designed.

However, because of inadequate cost accounting and cost control procedures, precise cost data cannot be developed. Additionally, the cost estimates are dependent on the estimated completion dates for UMIS. If these estimated completion dates are extended the cost of the UMIS development effort will increase.

Contractor development costs

FmHA retained the consulting firm of SDC to develop the UMIS EXEC. From 1975 through 1979 amounts paid for contractor development represented the major development cost of the UMIS project. The original estimate to complete phase I (design of UMIS) was $289,757 and its actual cost was $294,747. The original estimate for phase II, development and implementation, was $2.5 million with additional cost increases of $4.3 million. In total the original cost estimate for contractor work increased from $2.8 million to $7.1 million, an increase of 154 percent.

Additional UMIS development costs

The following table shows the remainder of UMIS development costs through December 1979 excluding the contractor development costs.

UMIS DEVELOPMENT COSTS THROUGH DECEMBER 1979, EXCLUDING CONTRACTOR DEVELOPMENT COSTS

Resource category	Costs (millions)
Kansas City Host Computer	$1.4
St. Louis Computer Center	.1
Computer Terminals	.6 a/
Telecommunications	.4 a/
Personnel	5.3
UMIS subsystems	.9 a/
Travel	.3
Space	.2
Supplies and materials	.1
Site preparation	.2
National Operating Center and Management Operating Center	.2
Other	.1
Total	$9.8

a/Cost for the resource categories totals $1.9 million. FmHA feels that $0.8 million is attributable to UMIS operating costs under the development phase.

Total UMIS development cost as of December 1979

The total cost to develop UMIS as of December 1979 was approximately $17 million. The major cost categories comprising the development costs are shown below.

Total Costs for UMIS Initiation and Development Phases through December 1979

Resource category	Costs (millions)
Contractor costs	$ 7.1
Computer centers	1.6
Computer terminals	.6
Telecommunications	.4
Personnel	5.3
Other resource categories	1.9
Total	$16.9

Estimated time and cost to complete UMIS development

In November of 1979 FmHA discontinued SDC's work on UMIS. FmHA plans to complete the development of UMIS using its own personnel. Project officials believe there will be no significant costs for contractor assistance in the future. Completing the development of UMIS in-house will result in in-house personnel costs becoming the largest cost category in the UMIS development effort.

The project costs depicted in the following table show the cost to complete UMIS based on three projected completion dates. The first estimated date for UMIS to be fully operational is December 1983. This date is highly optimistic and the possibility of meeting it is very remote. We believe, however, that a completion date of September 1984 is feasible and that an estimated date of June 1985, in our opinion, is the most likely completion date.

The first estimated completion date was developed by Arthur Andersen and Co. on the basis of estimates developed by SDC in its September 1979 bid to complete the UMIS EXEC. We developed the other two completion dates based on information obtained from Arthur Andersen's report and additional information obtained from FmHA. Both estimates are dependent on FmHA's ability to complete development of the EXEC. Since the estimated completion dates of the UMIS system are rough estimates, the projected completion costs should be viewed in the same manner.

Projected costs to complete the UMIS Development (note a)

Resource category	December 1983	September 1984	June 1985
	----------(millions)----------		
Kansas City Computer Center (note b)	$ 5.2	$ 5.2	$ 5.2
St. Louis Computer Center (note c)	2.7	3.2	3.6
Fort Collins Computer Center	.3	.3	.3
Telecommunications	.6	.7	.8
Personnel (note d)	10.5	12.5	14.6
Training	.9	.9	.9
Total (note e)	$20.2	$22.8	$25.4

a/These costs were not adjusted for inflation.

b/This represents the KCCC cost for being underutilized from January 1, 1980, through the completion date.

c/These estimated costs represent the continuation of the St. Louis Computer Center through the completion of UMIS.

d/Personnel costs include a fringe benefit rate of 26 percent, obtained from Office of Management and Budget (OMB) Circular A-76 dated March 29, 1978.

e/USDA officials do not agree with our projected costs for the completion of UMIS as designed. However, they have not provided information that would result in modifying our estimate.

The following table shows our estimate of the total cost to complete UMIS based on the actual cost to date and the three estimates for completing the total system.

Total Costs for UMIS Initiation and Development Projected Through Three Completion Dates

Resource category	Dec. 1983	Sept. 1984	June 1985
	(millions)		
Contractor (SDC) costs	$ 7.1	$ 7.1	$ 7.1
Initiation and developmental cost incurred through December 1979	9.8	9.8	9.8
Development costs after December 1979 (estimate to complete)	20.2	22.8	25.4
Total	$37.1	$39.7	$42.3

We discussed our estimates to complete the UMIS development effort with the Office of the Inspector General. These officials indicated our estimates were reasonable and expressed the opinion that our figures could be on the low side.

UMIS DELAYS HAVE INCREASED HARDWARE SUPPORT COSTS

Because of delays in developing UMIS, FmHA has not fully utilized a major computer purchased to support the UMIS system. In addition, the agency may have to buy additional computer equipment to extend the operational life of the computer located in the St. Louis computer center which is supporting the current accounting and information system.

Underutilization of a major computer center

In 1978 a major computer center was established in Kansas City and equipment was purchased to support UMIS when it was completed. This equipment was installed in anticipation that UMIS would be implemented on the Kansas City computer in October 1978. To justify the purchase, it was estimated that UMIS would comprise approximately 50 percent of the available computer capacity. However, since UMIS has been delayed, the equipment is underutilized at this time. As a result, the Office of the Inspector General estimated that the KCCC will incur a deficit of approximately $255,880 a month until UMIS is completed and operational on KCCC

equipment. Other users will be required to pay higher costs to cover this deficit. USDA officials disagreed that the system is underutilized.

AGENCY COMMENTS AND OUR EVALUATION

USDA and FmHA officials took issue with the following segments in this appendix:

--USDA believes our projection of development costs is unlikely to occur because UMIS is unlikely to be completed as designed.

--The USDA officials believe the KCCC is fully and effectively utilized.

--USDA believes we did not adequately recognize the work planned by the USDA Task Force recently established to address UMIS management and technical issues contained in our report.

Although USDA and FmHA officials do not concur with our projected costs they have not provided new information which warrants our modifying these cost estimates. Potentially the cost to develop any alternative may amount to an additional $25 million. However, we believe any alternative to UMIS will cost at least an additional $10.5 million beyond the $17 million already expended. The additional costs only represent projected personnel costs through December 1983. The $25 million estimate includes personnel and hardware support costs.

In our opinion, it is imperative that FmHA and USDA recognize that UMIS or any alternative will require a large investment of time and money. We believe our cost estimates are conservative and include costs which are difficult to lower in the short run. For example, UMIS or its alternative will require large personnel costs, and the UMIS project team is already working. The KCCC computer expenditure has already been made and FmHA must support its current accounting system until an alternative is available.

USDA officials concur that a major use of the Honeywell computer operating in Kansas City was to be UMIS. We contend that since UMIS is not completed or even partially operational, the Honeywell computer is underutilized. We acknowledge, however, that other USDA user organizations have placed work on the Honeywell to partially use the computer's excess capacity. We also believe the KCCC is

underutilized and will not achieve effective utilization within the next two to three years.

We recognize that USDA has established a Task Force and developed an organizational plan. However, the Task Force has not yet started work and is still in the planning phase. As a result, it would be premature to evaluate the plan. We are also concerned that USDA and FmHA delayed taking corrective action until five months after Arthur Andersen reported that UMIS was in serious trouble and its viability was in doubt.

THE UMIS DESIGN IS NOT VIABLE

The UMIS project has serious technical design deficiencies that make the continuation of its development very risky. Further, the system as currently designed is not a viable approach to meeting FmHA needs. Specifically, the Executive Control System (EXEC) may not be effective and the data base design places severe limitations on the operation of UMIS. Also, the UMIS design was originally based on an inadequate information requirements study which has not been updated over the past 5 years. Therefore, there is no assurance that UMIS, if completed, would meet the current information requirements of its intended users.

DEVELOPING THE EXEC IS NOT AN EFFECTIVE APPROACH

The EXEC developed by SDC, the contractor, is required for overall control of UMIS's many components, including the data base, software, hardware, and application programs. FmHA has terminated SDC's work on the EXEC and was completing its development with agency personnel. As of February 14, 1980, FmHA informed us they are discontinuing work on the EXEC and would redirect their efforts to developing useable software for any alternative to UMIS. However, should the USDA Task Force later decide to salvage major components of the software developed by SDC and in-house, we submit the following for consideration.

An Arthur Andersen study estimated the size of the EXEC will be over 95,000 lines of programming code, when completed. The study also pointed out that Arthur Andersen was unaware of a business system as large as UMIS which operates on a similar basis. According to FmHA and Arthur Andersen the EXEC is not useable in its current condition and its size and complexity will make it difficult to complete.

The size of the EXEC coupled with its incomplete and untested condition after 4 years of development effort raises serious questions as to the likelihood of its ever being implemented. We also found that the EXEC has additional problems which further jeopardize its viability.

One problem results from inadequate documentation of the EXEC developed by SDC. SDC and FmHA officials said this condition resulted from an early agreement that formal documentation would not be required until the EXEC was completely developed. Because SDC did not complete the EXEC, the documentation was not completed. Further, the program

descriptions obtained by FmHA did not adequately reflect subsequent system changes. This lack of documentation contributes to FmHA's difficulties in attempting to salvage or complete portions of the EXEC.

Should FmHA succeed in completing the design of the EXEC and implementing the system, certain design limitations may preclude UMIS from processing data within reasonable timeframes. For example, the EXEC programs used during the nightly batch processing phase do not allow concurrent processing of data on the data base. This restriction significantly increases the time required to process data in the data base. FmHA is attempting to modify the data base update approach to provide for updates concurrently with other types of processing. If FmHA cannot modify this update procedure, use of the data base by FmHA field personnel needing information will be suspended during the update processing. Nightly batch processing is only one of several tasks which must be completed every day. The design limitation results in lengthy processing of 5 to 40 hours during the nightly batch update processing phase.

Although these nightly batch processing time estimates are based on rough calculations, we believe these processing times are unacceptable and illustrate the potential problems of continuing with the development of the EXEC design. For example, if the system requires 40 hours to update the data base, user organizations who need to use the data base daily would have access only every second day.

Limitations of UMIS
data base design

To significantly reduce the time required to access data from a data base, multiple access keys and a direct access method are commonly used. They allow computer programs to directly access only the data records from a data base which needs to be processed. However, the UMIS data base design lacks sufficient access keys to allow direct access to the data base by many UMIS computer programs. Further, rather than using the direct access method, UMIS computer programs in the EXEC and the computer application programs are restricted to using a sequential process. This results in a most time consuming task of examining data in the entire data base rather than selected data which needs to be processed. As an illustration of these limitations, UMIS is designed to sequentially process as often as four times each night the entire borrower file containing over 1 million data records.

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Another limitation of the data base design contributes to the complex, difficult, and time consuming task of modifying the data base. Changes to the data base structure necessitate regenerating the entire data base including those data records which do not need to be changed. In addition, many of the computer application programs which use the data base must also be modified when modifying the data base. Further, these computer application programs must be recompiled (translated to the appropriate computer language) following a modification to the data base structure. This approach to designing the UMIS data base is inconsistent with the commonly accepted practice in which special computer programs are used to modify the data base without modifying the computer application programs. During the final phase of our review, USDA officials told us they believe the data base may be salvageable and they are studying it.

UMIS MAY NOT MEET USER INFORMATION REQUIREMENTS

In addition to the technical limitations and resulting problems with the UMIS design, we are concerned with the inadequacy of FmHA's user requirements data. It is imperative that FmHA better determine the needs of the user community prior to deciding how to resolve UMIS technical problems.

One of the most critical tasks prior to designing a computer-based accounting and information system is the determination of user requirements for information. Such requirements are the foundation for information systems and software development projects such as UMIS. In our recent report, FGMSD-80-4, issued November 9, 1979, we reported on a number of computer software development projects which resulted in unsatisfactory or useless software products. A primary cause was that agencies did not adequately determine the information requirements of their users.

About 2 years ago we reviewed the status of FmHA's ADP project--UMIS and reported on the inadequacy of the user requirements study conducted in 1976 prior to developing UMIS. In that report, CED-78-68, dated February 27, 1978, we disclosed that FmHA did not base its initial decision to develop UMIS on a detailed, documented study of the information needs of agency managers (user requirements). We also recommended that the agency, "Redefine agency (user) needs in terms which are more specific and quantifiable to provide performance criteria for evaluating UMIS alternatives." Today, 5 years after initiating the system, FmHA has still not adequately

determined its user requirements. FmHA is continuing the development of UMIS based on subjective and undocumented perceptions of user needs. Because it lacks firm requirements and objectives, FmHA is unable to effectively manage UMIS, evaluate alternatives, or prepare acceptable cost benefit studies.

In 1975 FmHA reviewed its existing accounting and information system during the first part of the UMIS design and development project. The purpose of this review was to (1) obtain an understanding of the agency's current operations and (2) determine the availability of the information collected by the system. The survey did not adequately determine why the system could not meet the agency's needs. According to an agency official, the decision to develop and implement UMIS precluded the need to define the problems with the existing system and analyze alternative solutions. We believe, however, that such an analysis would have provided a basis for either improving the existing system or designing UMIS.

FmHA issued the UMIS design, development, and implementation Request for Proposal July 27, 1975, and SDC signed the contract on November 25, 1975. Subsequently, SDC subcontracted the task of studying FmHA's management information needs to a consulting firm. The results of this study were published in the "Unified Management Information System Phase I"--first interim report dated Feburary 2, 1976. The study concentrated on the information classes, representing data elements, required by the system's users but did not adequately define or quantify information attributes, such as timeliness, accuracy, volumes of data, and frequency of use.

For example, many classes of information will retain their usefulness and accuracy for a long period. Frequent updates of this information would not be required or help a FmHA field officer assist a borrower. There is no evidence that all information needs to be up-to-date at the close of each business day. Knowledge of such attributes (when and what information needs to be updated) is important because this information can and should serve as a baseline for evaluating system alternatives and performing cost benefit analysis.

We met with officials of the consulting firm responsible for the information requirements study. The officials agreed that the study was not intended as a user requirement analysis. Both the consulting firm and SDC explained that the primary user requirements were provided in the Request For Proposal. In this request FmHA predetermined that all users

required on-line services with information updates performed on a daily basis.

To confirm some attributes of FFS, we called 19 FmHA county offices in 1978. In regard to the FFS daily delivery of reports on delinquent borrowers, we were told that such reporting on a weekly or bi-weekly basis would be adequate because it would not be practical to service accounts daily while handling new applicants and other duties. In regard to immediate responses to inquiries, we found overall satisfaction with the current telephone Inquiry Station, although improvements are needed to make it more responsive. We were also told that the only transactions that required immediate turnaround or response were requests for final payment information.

In the county offices we surveyed, approximately 86 percent of the inquiries from county offices were made to obtain information on the number of months behind and/or the date of last payment for FmHA borrowers. County personnel told us that the occurrences of these inquiries indicated the extent the Inquiry Station was used to confirm information on delinquency reports. More accurate and timely delinquency reporting would reduce the number of requests for such information and thereby improve the Inquiry Station's ability to respond to other calls. Our current examination showed the same conditions prevail.

The UMIS design was essentially based on an inadequate information requirements study of agency needs. Assuming an estimated completion date of 1983-85, the UMIS design will be based on a 7- to 9-year-old "requirements study". Even though FmHA monitors some changes through the system change requests procedure, its scope is limited to a minor segment of the agency's overall information requirements. This situation compounds the technical problems associated with UMIS because the design does not adequately reflect the impact of such elements as new legislation, changing user needs at all office levels, and organizational changes.

For example, FmHA is conducting an experimental project which utilizes the services of banking institutions to handle the loan collection functions currently performed by the National Finance Office. Under this project called the Bank Collection System, contracting banks would also notify FmHA's county offices of the borrower's payment status. If this experimental project is successful and adopted, it could significantly impact on the UMIS design. More specifically, a revised UMIS design would not be required to process large volumes of payment documents or handle the problems associated with payment delinquencies.

Since a major function of the UMIS design could be deleted with the advent of the Bank Collection System, FmHA should assess the approach to payment processing and delinquency reporting that is currently envisioned for UMIS. Further, FmHA should not continue developing or implementing the FFS concept before evaluating the impact of the Bank Collection System. During the final stage of our review, USDA officials told us the Task Force has been instructed to study the effect of this system on FmHA operation.

Other possible changes that could impact on the original UMIS design are the Guaranteed Loan Program and the Home Owner Assistance Program. Although FmHA recognizes that such programs may eventually impact UMIS, it is not evaluating the need to change the UMIS design during the development phase. It is usually more economical and less disruptive to introduce design and system changes during the development phase rather than the implementation phase when users expect a useable and complete system. We believe that such programs could affect operations of the county offices and the manner in which they conduct business. Also, these new programs could significantly change the relationship and level of support UMIS would provide to the county offices, State offices, and other FmHA locations.

Government guidance

In recognition of the many problems agencies usually encounter in the planning, acquisition, and use of computer-based information systems, Government guidance has been developed and is available for use by Federal agencies.

General Services Administration, Federal Managemant Circular GSA-FPMR 101-35 and Office of Management and Budget Circular A-109 offer guidance for acquiring automatic data processing equipment and software (including a computer-based information system such as UMIS). Circular A-109 provides guidance requiring agencies to define system needs and objectives in terms of agency mission and purpose. The circular also stresses the importance of not defining new system needs in equipment terms.

We said in our 1978 report that FmHA did not adhere to prescribed Government guidance. In fact, the FmHA system design and development Request for Proposal, specified that UMIS would be processed by a computer system with computer terminals in each of FmHA's 1,750 county offices. By defining its system needs in equipment terms, FmHA precluded any objective consideration of system design alternatives.

Furthermore, by not defining UMIS objectives in terms of agency mission and purpose, FmHA has little assurance that any completed system will meet the agency's short- and long-term information needs. Had the Request for Proposal specified the UMIS objectives in agency mission terms, FmHA would have provided the basis for developing an effective and economical management information system.

FmHA evaluated alternatives to UMIS/FFS and reported its findings in the "UMIS phase I--Final Report", dated April 19, 1976. The baseline for this evaluation included features which could be met only by the FFS version of UMIS. Consequently, the study concluded that FFS was the "best" alternative. This study should have used defined and quantifiable information attributes as a basis for evaluation. Since the baseline for comparison was FFS, none of the alternatives received an objective evaluation.

During the evaluation, FmHA developed estimates called effectivity ratings for the relative levels of service available with each of five alternatives. Since FFS was the baseline, it received an effectiveness rating of 100 percent. The ratings for the other four alternatives, including NOC, expressed the ability of each to meet the "level of service" provided by FFS. FmHA did not attempt to evaluate the level of service needed or the ability of each alternative to satisfy those needs.

Furthermore, the effectiveness ratings were based primarily on judgment. FmHA did not adequately document the effectiveness ratings assigned to each of the alternatives. Also, the agency did not identify the services which would be lost under each alternative.

COST BENEFIT ANALYSIS

Government guidance requires agencies to conduct a cost benefit analysis prior to developing a computer based information system such as UMIS. Although FmHA did conduct such an analysis, it was inadequate.

FmHA's cost benefit analysis compared the annual operating cost of each alternative to its potential annual savings. The potential savings for each alternative were determined as follows:

--FmHA computed the "potential" savings resulting from FFS.

--The overall effectiveness ratings were then applied to the potential savings under FFS to determine the dollar value of savings that would accrue under the alternatives. (For example, because NOC had an effectiveness rating of 28 percent, the agency believed NOC would realize 28 percent of the potential savings attributable to FFS.)

FmHA acknowledged that the anticipated savings for FFS were determined subjectively and that little documentation was available to support these savings. The UMIS project manager stated that these figures were developed to obtain some idea of potential savings and were not intended to justify implementation of FFS.

FmHA should have developed savings for each UMIS alternative independent of FFS. These "potential savings" should in turn be as objective as possible. As a result of the evaluation method used by FmHA, we do not believe that any of the alternatives received, or could have received, an objective evaluation.

CONCLUSIONS

UMIS as designed is not viable. UMIS has several basic design problems which will probably make the cost and time to complete the project highly questionable. The design problems may also prevent UMIS from ever being completed as it was originaly envisioned. USDA is currently performing a complete technical review of the project prior to making a final determination on how to proceed with UMIS.

If FmHA continues developing UMIS as designed and it is completed, the project's design problems may result in a system that will be (1) highly inefficient, (2) costly to maintain, (3) difficult to modify as information requirements change over time, and (4) ineffective in terms of meeting information needs. USDA officials told us on February 14, 1980, that the UMIS EXEC is no longer considered valid and this part of the UMIS system will be modified.

FmHA, in initiating UMIS did not determine its functional requirements and still has not adequately studied or documented its user needs. Because of poorly defined functional requirements, UMIS may be designed to deliver a higher level of service than is cost justified. Additionally, because FmHA has not monitored actual and potential changes to user requirements, the system may not meet new needs which have surfaced since 1975 when UMIS was initiated.

RECOMMENDATIONS

We recommend that the Secretary of Agriculture direct Farmers Home Administration to:

--Redefine information requirements to meet agency (user) needs and express them in terms which are more specific and quantifiable in order to establish performance criteria for evaluating UMIS alternatives.

--Obtain from the Office of the Secretary of Agriculture approval of FmHA's information requirements study prior to continuing or beginning any new development effort. The study should also be submitted to the appropriate congressional oversight committees. Should the USDA Task Force uncover new information then UMIS should be reevaluated.

On February 14, 1980, USDA officials told us that the USDA Task Force was directed to (1) redefine FmHA information requirements and (2) determine if the current UMIS design is still valid. This approach is consistent with our recomendations.

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In appendix IV, we discuss alternatives to UMIS. We note, however, that the identified alternatives and any alternative selected is dependent upon the completion of an adequate information requirements study by FmHA.

In appendix V, we make other recommendations concerning project management which are applicable to any alternative approach selected.

AGENCY COMMENTS AND OUR EVALUATION

USDA and FmHA concurred with our position that the EXEC, a most critical component of UMIS is not viable but took exception to our conclusion that UMIS is not viable. FmHA and USDA officials also concur that the data base has serious problems but believe parts of it can be salvaged. It is our contention that if two major components of UMIS--the EXEC and the data base are inviable, then UMIS is not viable. This is essentially a difference in semantics. In our opinion, these two parts of UMIS are so integral to the total system that for all practical purposes UMIS as a system is no longer viable. Further, we believe that the impact of redesigning these two parts

of UMIS will require such major rewrites of the application programs that there is a high probability that only items such as program specifications and parts of the data base may be salvageable. In addition, we contend that FmHA's information requirements, a third component critical to UMIS is invalid. This further supports our position that UMIS is not viable.

ALTERNATIVES TO THE UMIS DESIGN SHOULD BE CONSIDERED

The deficiencies of the UMIS design warrant a new approach. We identified several alternatives for the USDA Task Force to consider. However, it is important to point out that these alternatives and any other alternatives the Task Force may identify are not necessarily the only alternatives to be considered in choosing a new approach to meeting FmHA's needs. Only when FmHA prepares an adequate requirements study and all alternatives to UMIS can be identified, will FmHA be in a position to evaluate alternatives. Therefore, prior to selecting an alternative and before initiating further system development actions associated with an alternative, FmHA should first determine its management information requirements. This study should then be followed by a detailed cost benefit analysis to determine the most cost effective approach.

Before proceeding with a discussion of the alternatives to UMIS, it is important that we address the approach the UMIS development team in St. Louis is pursuing. This team was continuing until February 14, 1980, with the development of UMIS as originally designed. Essentially, this approach attempts to salvage the data base structure and major segments of three subsystems of the EXEC. Completing the development of the two remaining subsystems of the EXEC would be deferred.

Our position is that this approach is not viable and is based, in part, on the following summary of advantages and disadvantages. The primary advantage of this approach is that FmHA can benefit to some extent from prior development efforts. For example, the EXEC and data base have been designed and are partially developed. In addition, FmHA may receive another benefit in that one segment, phase I, may be operational within a year. While there are a few advantages, there are many disadvantages.

The disadvantages of this approach as discussed in appendix III are as follows: (1) the data base has design limitations which affect the performance of the entire system, (2) the effectiveness of the UMIS software including the EXEC and the data base is highly questionable, (3) the services of the contractor, SDC, that designed UMIS, have been discontinued, (4) inadequate documentation of UMIS software compounds the problem of completing the development of a highly technical and comprehensive ADP software project, (5) if FmHA completes the development of UMIS, design limitations affecting the system's flexibility may greatly reduce its useful life, and (6) there is no assurance that the total system

when completed will meet operational time constraints, such as nightly updates and data processing by many users on a concurrent basis. Based on these disadvantages this approach should not be considered a viable alternative to the present UMIS design.

ALTERNATIVE I--CURRENT ACCOUNTING SYSTEM

FmHA is currently operating an accounting system on Burroughs computer equipment. Although a detailed study and analysis of this computer supported accounting system has not been made, FmHA officials contend the system does not satisfy agency information needs. County office personnel complain that information produced by the system is often out of date, inaccurate, and generally unreliable.

A study of the Burroughs system's problems, prior to embarking on the UMIS project in 1975, could have greatly facilitated the upgrading of FmHA's management information to meet agency needs on an interim basis. The current system although limited, has been operating and will continue to operate for at least 5 to 7 years beyond its planned operational life. Although FmHA does not consider the Burroughs system a viable alternative to UMIS, the agency acknowledges that it will need to maintain the system until its replacement is available.

FmHA contends that the current Burroughs system will not have the capacity to process the agency's growing workload much longer. Consequently, the agency is considering requesting an interim upgrade to the Burroughs equipment. FmHA officials admit that they have not examined the current Burroughs capabilities vis-a-vis the workload. They told us, however, that the Burroughs system is currently not able to complete all scheduled work on a timely basis. We believe that FmHA needs to conduct an extensive study of the current system to determine its potential for meeting FmHA's information needs both today and as part of any future system.

ALTERNATIVE II--PRIVATE INDUSTRY SOURCES MAY MEET SOME INFORMATION NEEDS

OMB Circular A-76 requires Federal agencies to use the private sector to meet information needs wherever possible and when it is cost effective. FmHA is considering private industry programs which would replace some functions UMIS was designed to provide.

For example, FmHA is considering a project known as the Bank Collection System. Under the Bank Collection System,

contractors would handle the loan collection functions currently performed by the finance offices. FmHA officials base much of its justification for FFS on current problems with payment delinquencies. The FFS mode would theoretically provide each county office with borrower payment status as of the preceding day's close of business. If FmHA adopts the Bank Collection System, the contractors would notify the county offices of the borrower's status. Consequently, a major function of UMIS would no longer be required. FmHA plans to pilot test the Bank Collection System during the next 2 to 3 years and decide on extending the application by 1983.

This uncertainty involving a major function of UMIS, particularly the UMIS FFS version, requires a reassessment of the approach to payment processing and delinquency reporting. FmHA should not devote extensive resources to a payment and delinquency system that may be unnecessary when completed.

The Bank Collection System is one illustration of an approach that could affect the UMIS design. Other possible changes to the original UMIS requirements could result from the Guaranteed Loan Program and the Home Owners Assistance Program. FmHA recognizes that these programs may eventually affect UMIS but is not taking these programs into account at this time. We believe, however, that these programs could affect the manner in which county offices conduct business and the way UMIS would support county and other office levels in the agency. FmHA needs to study the affect of these programs on UMIS's design and development.

Potentially FmHA could obtain the services of the private sector to meet its information needs. Programs such as the Bank Collection System point up the possibilities of such an alternative. None of FmHA's current pilot programs would, if successful, eliminate all of the functions UMIS was intended to satisfy. However, if the pilot projects succeed, additional contracting in the private sector may satisfy the additional functions UMIS was designed to process.

ALTERNATIVE III--BASIC INITIAL OPERATING CONCEPT (BIOC)

In June 1978, FmHA officials in St. Louis believed that the EXEC under development by the contractor, SDC, would not be completed by April 1979 to conduct an operational test of the two UMIS modes of operation--the Full Field Service

concept and the National Operating Center concept. As a stop-gap measure, FmHA developed computer programs to implement 15 of the more than 600 UMIS transactions in total. FmHA refers to this group of transactions as part of the BIOC. These programs are currently in use at the Illinois State and county offices. Although these programs process transactions identified as part of UMIS, they do not use the EXEC software but use standard off-the-shelf software available from Honeywell, Inc. Consequently, the BIOC alternative represents no real progress toward implementing UMIS as originally designed. It duplicates capabilities which would be part of the UMIS EXEC.

Each BIOC transaction is a self-contained entity and each computer program is independent of other programs. Each program includes all display screen handling functions for each computer terminal, data validation, data editing, and subroutines that would be contained in the UMIS EXEC subsystems. Although each program may be placed in operation as it becomes available, each BIOC computer program contains processing routines that are repeated in other BIOC programs. Developing UMIS using this approach would result in considerable redundancy or duplication both in the effort to complete the system and the finished product.

There are a few advantages to the BIOC alternative. First, FmHA has successfully implemented a few types of transactions using this approach. Second, the Illinois county offices are using 15 transactions to conduct business. This successful implementation of some BIOC transactions is testimony to some measure of success with a computer-based information system. Third, the BIOC design permits transactions to be implemented as they become available. BIOC does not require an overall system structure like the UMIS EXEC to process transactions.

However, many of the disadvantages of this BIOC alternative stem directly from the features that provide its advantages. For example, the design approach which allows rapid implementation of each transaction also results in inflexibility. If a broad agency function, such as loan application tracking, were modified, all computer programs within that function would require modification (external reprogramming).

Redundancy is the price paid for independence among the transactions and computer programs. Each separate transaction repeats common routines or housekeeping steps performed by other transactions. This duplication results in excessive computer system overhead that increases computer storage and

processing costs. The combined overhead and inflexibility of the approach may severely hamper the system's viability. The computer hardware and software maintenance required to support such a system may exceed its benefits in economic terms.

Furthermore, considerably more resources may be required to completely develop UMIS under the BIOC alternative than under the UMIS EXEC approach. Building each transaction as a unique, self-contained entity would require considerable duplication of effort. The UMIS EXEC is designed to avoid such duplication and redundancy.

Finally, expanding BIOC to include the entire management information system does not solve the problems inherent in the UMIS EXEC alternative. Both alternatives would be dependent on and developed from the same inadequate functional requirements and would use a similar data base with similar limitations. BIOC was developed as a pilot study to evaluate operational concepts and principles incorporated in the design for the UMIS EXEC. Consequently, BIOC would be plagued with many of the shortcomings attributed to the UMIS EXEC. USDA and FmHA officials told us they concur with our position, and do not believe BIOC as designed is a viable alternative to UMIS. However, the underlying principles of BIOC may be a valid alternative.

ALTERNATIVE IV--REDESIGN THE MANAGEMENT INFORMATION SYSTEM

This alternative suggests performing steps in the system development process not adequately completed during the initial and subsequent stages of the ADP project UMIS. It also suggests discontinuing the development of UMIS as presently designed. In this context we have identified two possible entry points to restart the ADP project--the early functional requirements phase or the later system design phase.

A restart at the design phase would amount to discarding the current design, including the UMIS EXEC and other associated software. This appraoch assumes the requirements study used in developing UMIS has value and essentially this redsign would meet those requirements. The primary advantage to this approach is that it would save the time needed to prepare a requirements study and cost benefit analysis.

The major disadvantage to this alternative is that the redesigned system would still be based on functional requirements that were not adequately studied and may be

inaccurate. Further, significant changes which have occurred over the past 4 years, as evidenced by the 700 System Change Requests, have not been accounted for in the UMIS design.

Although the UMIS project has been very costly and time consuming, by restarting at the functional requirements stage FmHA would reduce the risk of losing additional money and effort in a new design that may not be viable. A decision concerning future development of a management information system for FmHA should not be constrained by expenditures to date for the UMIS project. Continuing with the present UMIS design and requirements is not cost effective.

Restarting at the functional requirements stage would be the most effective approach since (1) user requirements would be identified and brought up to date and (2) changes to FmHA's manner of conducting business would be considered; e.g., the Bank Collection System mentioned earlier. Further, FmHA would have the opportunity to develop quantitative information for designing the software, the data base, and the information delivery system. A design based on this information should enhance successful implemention of a needed and effective system. It would also assure an extended useful life for the system. Quantified information would also aid in testing the feasibility of various approaches and in designing software tests during the development phase.

Based on our review we believe that restarting at the functional requirements stage is an acceptable approach for acquiring a management information system. In our opinion, restarting at the requirements stage would not appreciably extend the completion date of a new system beyond the estimated 3 to 5 years to complete UMIS using the EXEC's original design. Since UMIS was initiated in 1975 extensive changes have occurred in the ADP industry. Today Data Base Management Systems are better understood and more extensively researched than in 1975. FmHA, in redesigning a new system would potentially be able to purchase already developed software readily available through commercial sources. By using this approach they would eliminate the need to develop much of the system in-house. Additionally, using available software may result in completing a new system faster and at less cost than it would take to complete UMIS.

In addition, restarting at this point would also provide FmHA with the opportunity to implement the following techniques and practices learned in developing UMIS.

--A workable project management organization.

--The development and enforcement of standards and procedures for project controls.

--The development and maintainence of adequate documentation.

--The use of previously developed tools, techniques, and software whenever feasible.

--The development and application of a phased implementation approach.

For years we have believed and reported that FmHA should have objectively identified and evaluated all possible alternatives. The current condition of the UMIS project supports our position and provides the agency with an opportunity to correct the current deficiencies of the project.

Restarting at the functional requirements stage suggests FmHA reassess its development efforts and decide on alternatives to the UMIS EXEC and BIOC alternatives. A restart may also identify possible improvements to the existing accounting system operated on Burroughs equipment. This system must continue to function until its replacement system is operational. Unfortunately, due to the 5 to 7 year delay in completing UMIS, the existing accounting and information system is also experiencing problems. FmHA contends that the Burroughs computer system operating the existing accounting and information system will soon lack the capacity and capability to process the agency's expanding workload. FmHA is considering an interim upgrade of the Burroughs computer which amounts to another costly item resulting from the incompleted ADP project--UMIS.

CONCLUSIONS

Although UMIS is not an effective or viable approach to meeting FmHA's needs, this has not removed the information needs the system was intended to meet. UMIS was one approach--an approach that did not succeed--now FmHA must select another approach to meet its needs. A primary reason for FmHA's problems with UMIS was the agency's lack of firm information requirements. Any attempt to choose another alternative without determining user needs will have a high probability of experiencing the same problems as UMIS.

FmHA has a number of alternatives available as potential replacements for UMIS. However, the agency in developing the system has not adequately studied its information needs. Without detailed information requirements FmHA can not

--identify all feasible alternatives to UMIS,

--determine whether each alternative can meet user needs,

--justify the cost of service needed by its users, or

--estimate the cost of each alternative or perform a cost benefit study.

Until FmHA conducts a complete, detailed, and documented study of user requirements, management will lack the information needed to decide on what alternative to UMIS would be the best approach to meeting agency needs. Because of the importance of this study we believe USDA needs to provide continuous oversight of this activity and formally review and approve each major step of the study's: (1) methodology, (2) actual field work, (3) analysis, and (4) conclusions and recommendations. See appendix III for a more detailed discussion of requirements and recommendations for corrective action.

RECOMMENDATIONS

We recommend that the Secretary of Agriculture direct Farmers Home Administration to:

--Identify all alternatives to UMIS based on a complete functional requirements study, and prepare a documented analysis of alternatives and a cost benefit study, and

--Develop the most cost effective alternative to meeting FmHA's needs based on the above studies and the technical Task Force report.

AGENCY COMMENTS AND OUR EVALUATION

On February 14, 1980, USDA officials told us that the Task Force was directed to, among other items (1) identify all alternatives to UMIS, (2) prepare a cost benefit analysis

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of each alternative, and (3) identify the most cost effective system for meeting FmHA's needs. We note that this step is consistent with our recommentations. For additional information on the Task Force see appendix II.

IN DEVELOPING AN ALTERNATIVE TO UMIS, PROJECT MANAGEMENT NEEDS TO BE STRENGTHENED

To develop and implement a management information system that is both cost effective and meets management requirements, it is essential that FmHA assign a high priority to improving its project management capabilites. Although FmHA has attempted to improve its management and strengthen controls over the UMIS project, these efforts have not met their objectives. We found that most delays, increased costs, and shortfalls in meeting objectives resulted from FmHA's inability to (1) develop a workable project organization, including the assignment of a full-time project manager responsible for managing the contractor's work and having full technical and administrative authority for project completion, (2) effectively plan the project's development, and (3) use standard ADP project control measures, such as a cost budgeting system.

Contracting ADP software development has aggravated FmHA's problems with UMIS development. FmHA did not implement effective quality control measures to insure that contracted work was tested thoroughly and fully documented prior to acceptance. Without such procedures, FmHA has brought software in-house that does not function properly and will require extraordinary efforts to correct because documentation is lacking.

After terminating UMIS, preparing a requirements study and selecting an alternative, FmHA must manage the new development project if it is to succeed. In developing an alternative to UMIS, FmHA will be faced with similar problems of managing, planning, and controlling a major software development project. We believe the following management related problems were major causes of UMIS delays and cost overruns.

FmHA's PROJECT MANAGEMENT IS WEAK

Many UMIS problems have occurred because FmHA did not establish an effective management organization for completing the project. Although the agency attempted to improve its management of UMIS, its efforts were not effective. For example:

--The project management organization does not provide a clear focal point for authority and responsibility which resulted in extensive communication problems.

--A full-time UMIS project manager was not assigned to the ADP project. Further, part-time project managers were not vested with sufficient authority to exercise effective management control over the project.

--An effective ADP steering committee has not been in operation to insure continuity of top management involvement in the project.

Because the use of an outside contractor greatly increases the difficulty of project management, these problems have contributed to an incomplete and costly system. Traditionally, the development of original software which meets user needs has inherent managerial and technical difficulties even when the programmers, analysts, and managers developing the software work for the same organization as its users. The task becomes more difficult when the software is developed by an outside organization, as is the case when Federal agencies contract for software development.

The additional problems presented by using an outside contractor placed even more importance on the need for effective FmHA management. The traditional contractor problems of coordination and authority can be minimized by effective communication through one source of authority and responsibility. Without extensive coordination and one individual clearly in charge, the various groups responsible for the project, worked in a counter productive manner. FmHA in developing UMIS did not establish an effective project management organization capable of coordinating and controlling the development of UMIS. Because of management control problems, the contractor and in-house personnel often worked at cross-purposes under unclear lines of authority and responsibility.

Project organization: Decentralization created serious authority and communication problems

FmHA adopted a two-team approach in organizing its UMIS staff with one team in Washington, D.C., and the other at its Finance Office in St. Louis, Missouri. The Washington team consisted of the UMIS project manager, FmHA steering committee, and a Virginia contractor who was responsible for developing the EXEC, a major portion of UMIS software. Extensive coordination and communications problems resulted among the participants in the project because authority and responsibility for the project was not clearly assigned.

The separation of the UMIS staff in Missouri and the contractor in Virginia did not provide for effective coordination and information updates on the project. For example, the contractor was responsible for keeping the St. Louis staff current on the development of the EXEC by issuing System Development Memos. However, FmHA officials said that memorandums prepared by the contractor contained potential design options rather than methodologies and procedures for development. This resulted in misunderstandings and substantial delays in developing UMIS because the St. Louis staff was required to research design changes and reprogram work.

The major shortcoming of the two-team approach as adopted by FmHA was its inability to provide a focal point for decisionmaking. SDC officials told us that throughout the project's development they had major problems with identifying a single source within FmHA with authority to make final decisions. In a recent GAO report issued in 1979 we reported on this problem to the Congress (FGMSD-80-4). The report cited ineffective software project management as a cause for system development failures. We reported that a focal point for decision making was needed to:

--Shorten communication lines.

--Provide the contractor one source to obtain answers.

--Reduce duplication of effort.

--Provide one group within the agency an overview of the entire development effort.

In developing UMIS the contractor often had to consult with both the project manager in Washington and the St. Louis team to obtain answers to technical questions and project design decisions. Additional communication problems surfaced because the St. Louis team often received second-hand and incomplete information on major design decisions made between the contractor and the project manager in Washington.

FmHA's two-team approach also resulted in personnel management and administrative problems. In February 1978, FmHA approved a reorganization plan which transferred project management administrative responsibility from Washington to the St. Louis Finance Office. This reassignment of the 33 UMIS staff stationed in St. Louis was made with the provision that the project manager in Washington would remain responsible for the technical direction of the project. FmHA officials

indicated that this reorganization was necessary because of (1) the lack of organizational security, (2) informal supervisory channels, and (3) difficulties in rewarding and promoting employees. However, we found that splitting control over the UMIS development team between the Finance Office and the project manager in Washington resulted in FmHA's inability to control and manage the UMIS staff. In our report, CED-78-68 dated February 27, 1978, we recommended that FmHA conduct a formal, analytical study to evaluate the impact of this and other proposed organizational changes on the UMIS project. We note that FmHA did not adequately evaluate the impact of these changes.

A full-time project manager is needed

The UMIS project manager was responsible for overseeing and coordinating the work of over 100 FmHA personnel and 35 contractor employees. Concurrently, the project manager continued performing his duties as the Director of FmHA's Management and Information Systems staff. Furthermore, FmHA did not establish a special management staff located in the same geographical location as the project manager.

In our discussions with the project manager, the contractor, and FmHA's St. Louis staff, the absence of a full-time project manager was the most frequently cited cause of UMIS problems. In 1979 the OIG reported ineffective project management as a problem. Also a recent Arthur Andersen study cited this as a major cause of UMIS problems. We note that on December 17, 1979, USDA directed FmHA to establish a full-time project manager for UMIS.

Steering committee needs to be strengthened

A more effective steering committee could have resolved the many problems resulting from the UMIS organization and could have served as a focal point for decisionmaking. The committee should have made key decisions for UMIS and coordinate the work of the various groups working on the project. In our 1978 report (CED-78-68), we recommended establishing this committee. FmHA established the committee in 1978--4 years after the start of the UMIS project. Although the committee has met and taken some action on UMIS problems, we believe the committee has been reacting rather than leading the project's development.

The committee's primary functions should be to periodically review and evaluate the work of the various FmHA offices having responsibility for carrying out the management of computer resources. The committee should also recommend to the Administrator of FmHA ways to improve the efficient and effective use of computer resources. Specifically, the committee should (1) review and recommend policies for the effective use of computer resources throughout the agency, (2) establish measurable objectives so that progress toward their achievement can be measured, and (3) regularly monitor the development and implementation of UMIS.

Because of FmHA's dispersed organization and the length of time required to develop a major software project such as UMIS, the establishment of a steering committee is essential to effectively involving top management in directing software development projects. UMIS development has involved every major organization in FmHA and the various management levels within each organization. Since the program's inception, the FmHA has had two Administrators which has contributed to the leadership problem.

We believe an approach which FmHA can use to involve top management and provide direction to the many units responsible for UMIS and maintain continuity of management is through an effective steering committee. In our 1978 report and during our current review we noted that no single office or person assumed full authority or responsibility for UMIS. The decentralized management of the project has led to a lack of accountability for UMIS.

FmHA HAS NOT ADEQUATELY PLANNED FOR UMIS

FmHA has not effectively planned for the UMIS project. Project managers, in our opinion, have relied on the contractor not only for technical support but also for basic management decisions and oversight of the project. Planning was essential for the successful development of UMIS because of its size, long development time, complexity, and heavy reliance on an outside contractor. Contracting for software development as noted earlier adds to the complex problem of managing a development project.

Developing a sophisticated management information system represents a considerable investment of resources--people, money, and equipment. Therefore, a project control and cost collection system to track and review each stage of the project's development is a prerequisite to responsible project management and planning both in terms of meeting development milestones and controlling costs.

Since 1977, FmHA has been aware of the need for a system for monitoring the development and cost of UMIS. Nevertheless, an effective system has not been implemented. Because FmHA has not provided adequate management control over the UMIS project, the agency has not prevented or mitigated the effects of project slippages, including controlling costs. In addition, FmHA has not developed a system for (1) determining actual costs expended in developing UMIS, (2) estimating costs for completing the project, or (3) projecting the system's operational costs. Without adequate information, FmHA cannot realistically plan for and manage UMIS.

FmHA needs to develop long range plans and milestones

FmHA management did not use standard planning techniques in developing UMIS and coordinating the work of the different groups responsible for its component parts. Milestones and specific completion dates for major work steps were not developed. A regular and controlled reporting system to communicate information to all project personnel was not put in place. Detailed development and implementation plans were not used throughout the project. The effect of serious project slippages on overall project development were not used in changing priorities to meet new problems created by the delays.

Management did not plan for the logical sequence of events in the execution of the project which led to the system being developed and designed concurrently. This created the necessity for extensive rework during the project as system changes occurred. At the time of our review there were some 710 System Change Requests. As the project now stands, a major modification of the EXEC is very likely and would require a major rewrite of most of the application programs already written. This could have been avoided if system development had been delayed until after SDC developed the EXEC and it was in place and working.

A lack of planning in the execution of the project was evidenced by FmHA's decision to develop the NOC concept of UMIS and the FFS concept simultaneously. The OIG, in November 1977, recommended that FmHA concentrate on developing UMIS under the NOC concept because it could reduce the time to complete the system and reduce cost overruns. FmHA ignored this recommendation and went ahead with the development of two concepts concurrently. Recently FmHA initiated the development of another system, the Bank Collection System which has similar objectives as UMIS. We believe FmHA has overextended its management and technical capability

by working on two approaches at one time, resulting in a diversion of resources away from UMIS.

FmHA needs a cost accounting and budgeting system for UMIS

Costs throughout UMIS development should be collected, reviewed, and updated to effectively help plan and control the development and operation of UMIS. Consistent with the Federal Information Processing Standards Publication (FIPS Pub 38) the life cycle of an ADP software system is subdivided into three major phases: initiation, development, and operation. Over this life cycle, the agency should assign responsibility and accountability for all costs, both estimated and actual. The significant investment of effort, time, and resources coupled with the complexity of designing, developing, installing, and operating the UMIS software warrant financial and management reviews at regular intervals. At each check point, major phase, or task in the process, management should review actual-versus-estimated cost information to help decide on future plans for the project.

Prior to initiating UMIS development, FmHA did not prepare cost estimates to develop and operate UMIS. FmHA has still not developed a budget for costs to complete UMIS development, costs of design alternatives to UMIS, or an estimate of the operational cost of the system.

We recommended in 1978 that FmHA:

--Intensify its effort to install PAC II--a computerized project control mechanism. This is necessary to monitor progress of the development project, identify and analyze schedule and cost variances, and to better plan the use of FmHA's resources.

--As part of a project planning and control mechanism, install a cost accounting system to account for all costs incurred during the system design, development, and operational life.

In 1977 FmHA acquired the use of a software project control package called PAC II for use in monitoring and controlling UMIS. The acquisition was made in response to OIG concerns over FmHA's inability to provide actual and budgeted costs for UMIS. We found in our 1978 review that PAC-II had not been fully implemented. Today, 2 years later PAC-II is still not useful or fully operational.

Because PAC-II has not been adequately implemented, FmHA cannot accurately provide information on:

--Actual costs for developing UMIS.

--Estimated costs to complete the development effort.

--Estimated costs to operate or maintain UMIS.

In managing UMIS, FmHA has not effectively held managers accountable for budgeting and estimating the effect of project slippages on development or operating costs. We believe this lack of adequate cost information has seriously reduced the ability of UMIS managers to plan and control the system. For example, the OIG reported in 1979 that FmHA officials relied solely on SDC figures for payment to the contractor. We believe FmHA's reliance on SDC figures was due to PAC-II not being fully implemented. Because of its lack of an effective cost collection system, FmHA could only rely on SDC's cost data.

INADEQUATE PROJECT CONTROL

Effective project control measures are a prerequisite for quality software development, especially for a project of UMIS' size and complexity. In managing UMIS, FmHA did not fully use accepted project management techniques. FmHA did not follow Federal guidance in managing the contractor responsible for a major part of the systems software. Specifically, FmHA in managing its contractor did not

--require monthly cost performance reports,

--establish a work management system,

--require system documentation reviews,

--establish test procedures for software delivered by the contractor, or

--test completed software delivered by the contractor.

Additionally, FmHA did not adequately use project control techniques, such as feasibility studies and economic analysis tools. We also found that FmHA did not take appropriate actions on recommendations made by USDA's Inspector General on controlling UMIS and responding to problems, as they occurred. Further, FmHA's budget procedures do not adequately provide congressional committees with sufficient information to discharge their responsibilities.

Contractor monitoring was weak

FmHA has not effectively monitored the progress of the contractor. Commonly accepted management practices and procedures, such as PERT, Program Evaluation and Review Techniques, or CPM, Critical Path Method techniques, were not used to track the contractor's efforts. Requirements for monthly quantitative cost performance reports were not established for the contractor. A work measurement system was not implemented to link the efforts of specific individuals to project activities. Furthermore, system documentation reviews on the products delivered by the contractor were not held, even on the limited documentation required by the informal agreement between FmHA and the contractor.

FmHA did not establish testing requirements to ensure that contractor-delivered software would work as designed. Project planners did not develop firm milestones for software delivery by the contractor. As a result, problems were not surfaced until a product was due and the contractor failed to deliver as scheduled. As time passed, the contractor continued to miss target delivery dates with resulting slippages to UMIS overall completion. As delivery dates were missed, new estimates for project completion were often not established. Further, FmHA was unable to reschedule new priorities for work which depended on the availability of the delayed software.

FmHA and the contractor adopted the approach of a joint and shared effort in developing UMIS. This resulted in a contract that lacked specific assignment of responsibility to each party. Any attempt to evaluate the contractor's performance was handicapped by a lack of clearly defined specifications and responsibilities for project deliverables.

USDA's Office of Data Services, in an August 4, 1979, report, stated that such a contract arrangement does not benefit the Government in any way but that it has the potential of the Government paying for problems that are beyond the Government's control.

FmHA should act on the Office of the Inspector General's reports in controlling UMIS

The OIG has provided indepth reviews of the entire UMIS effort from its inception in 1975. From May 1976 to June 1978 the OIG issued 24 System Development Advisory Memorandums intended as informal reports on UMIS problems for FmHA management action.

As we reported to the Congress (FGSMD-77-82, Sept. 28, 1977), a frequent problem with Federal software projects has been inadequate involvement by internal audit or involvement only after the project completion. Early and continued review of UMIS by USDA's OIG has been an exception to internal audits traditionally limited involvement with ADP software projects.

We note that FmHA's response to the OIG's concerns and recommendations have not been adequate. FmHA did not respond or has not satisfactorily implemented about 25 percent of the recommendations. The OIG's reports have noted deficiencies in project mangement, software security, inadequate justification for development, and underutilization of standard economic analysis tools. Had FmHA responded more effectively to the OIG's concerns many of UMIS problems could have been mitigated and the project's internal controls improved.

FmHA budget practices do not provide sufficient information on UMIS

FmHA does not budget or request funds for all phases of UMIS as a separate line item in FmHA's budget justification. As noted in the table below, budget requests primarily relate to costs associated with the contractor and exclude the higher personnel costs of the FmHA staff.

UMIS Budget for Development Contractor

Fiscal year	Requested	Approved
	(millions)	
1977	$2.3	$2.3
1978	3.2	2.7
1979	4.2	4.0
1980	4.1	4.1
1981	-0-	-0-
Total	$13.8	$13.1

These requests do not include the cost of FmHA employees assigned to the UMIS development team, supplies, travel, or floor space. For example, FmHA appropriations for UMIS through fiscal year 1979 were $9.0 million, but costs incurred were approximately $17 million for the same period. The estimated total development costs (including initiation phase costs and assuming a completion date of June 1985) may approximate $42 million.

We believe FmHA should establish a budget for the entire UMIS project and the alternatives it develops to replace UMIS. Incurred costs should be measured against this baseline on a regular basis. In addition, with knowledge of total development costs, an adequate cost benefit analysis can be performed and FmHA decisionmakers would be better informed in determining future courses of action.

An additional problem with FmHA's budget approach is the inadequate information provided to congressional oversight committees. For example, since the remainder of UMIS development is to be completed in-house, the UMIS project will not appear in FmHA's budget from 1981 forward. We believe that in light of the additional estimated costs to complete UMIS ($25 million) FmHA should report all UMIS development costs as a separate line item.

CONCLUSIONS

FmHA in its development of UMIS did not properly manage and control the project. The project was leaderless in that FmHA did not assign a full-time project manager and did not establish a steering committee to insure top management involvement until 1978. Further, the committee has not been as effective as it should have been in the area of directing the project.

FmHA did not effectively use standard control techniques such as (1) establishing milestones, (2) holding documentation reviews, (3) controlling system change requests (4) establishing test requirements, or (5) testing completed software as delivered. FmHA did not effectively manage the contractor responsible for much of the UMIS software development. The contractor was not given documentation standards or test requirements and FmHA did not monitor the contractor's progress or revise completion dates when product delivery deadlines were missed.

FmHA has not established a cost accounting, budgeting, or planning system for UMIS. Because of the lack of an adequate control system, FmHA cannot (1) accurately determine

operational costs or (2) adequately evaluate the effect of project slippages on completion dates. FmHA needs to establish a budget for UMIS or its alternative system to cover the developement and operational phases, and note UMIS as a separate line item in FmHA's budget justification. Because UMIS is not a separate line item, it will not be shown in the budget starting with 1981 even though estimated costs to completion could amount to an additional $25 million.

RECOMMENDATIONS

Consistent with accepted project management practices, the following recommendations apply to any alternative FmHA selects to replace UMIS. (See appendix IV for our recommendation on discontinuing UMIS.) We recommend that the Secretary of Agriculture direct Farmers Home Administration to:

--Intensify its effort in installing PAC II--a computerized project control mechanism. This is necessary to monitor progress of the development project, identify and analyze schedule and cost variances, and to better plan the use of its resources.

--Establish a budget for UMIS or an alternative system to cover the development and operational phases and note the project as a separate line item in FmHA's budget justification.

--As part of a project control mechanism, install a cost accounting system to account for all costs incurred during the system design, development, and operational life cycle. Total life cycle cost estimates should be updated on a regular basis.

--Assign a full-time project manager to the project development team.

--Strengthen its ADP steering committee and use the committee to insure top management involvement and management continuity.

--Develop and implement standard control techniques. For example, FmHA should establish documentation standards, hold documentation reviews, establish firm software test procedures, and improve its System Change Request controls.

Agency comments and our evaluation

USDA and FmHA officials agreed with our statement of the UMIS problems identified in this appendix except for our statement that FmHA's ADP steering committee needs to be strengthened. We believe the steering committee has recently initiated some actions to correct certain problems. However, it would have been more responsive and effective if it provided stronger direction and guidance in anticipation of the many management and technical problems which occurred.

During the final phase of our review, FmHA and USDA officials said the USDA Task Force and FmHA plan to initiate actions consistent with our recommendations.

(061060)

OFFICE OF THE SECRETARY

WEDNESDAY, MARCH 5, 1980.

WITNESSES

JOAN S. WALLACE, ASSISTANT SECRETARY FOR ADMINISTRATION
HOWARD W. HJORT, DIRECTOR, ECONOMICS, POLICY ANALYSIS AND BUDGET
JEANNE M. STANEK, HEAD, BUDGET SERVICES UNIT, OFFICE OF OPERATIONS AND FINANCE
STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. WHITTEN. Next we have Dr. Wallace, Assistant Secretary for Administration; Howard W. Hjort, Director, Economics, Policy Analysis and Budget; Jeanne M. Stanek, Head, Budget Services Unit, Office of Operations and Finance; and Stephen B. Dewhurst, Budget Officer, Department of Agriculture.

We will insert your prepared statement in the record, Dr. Wallace, and would be pleased to have you proceed at this time.

[Statement of Assistant Secretary Wallace follows:]

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OFFICE OF THE SECRETARY

Statement of Joan S. Wallace, Assistant Secretary for Administration
before the House Subcommittee on Agriculture,
Rural Development and Related Agencies

Mr. Chairman, I appreciate the opportunity to be here today to discuss with you and the members of the subcommittee the fiscal year 1981 budget request for the Office of the Secretary.

The appropriation for the Office of the Secretary continues to provide funding for the Department's top level policy officials and their staffs. This includes the Immediate Office of the Secretary, the Deputy Secretary, the Assistant Secretaries, the Administrative Law Judges, and the Judicial Officer.

During the past year, a major emphasis has been the internal aligning of the personnel resources of the Office to provide more effective policy development, program direction and coordination of the Department's constituent agencies. The Deputy Secretary position was filled last March, after being vacant for almost a year. In fact, at the present time, all top level policy positions are filled. Increased emphasis has been given to the international programs and the agricultural export programs by the creation of positions of the Undersecretary and Deputy Undersecretary for International Affairs and Commodity Programs. Previously, there were assistant and deputy assistant secretary positions. A major effort has been the attempt to mitigate the impact of the President's soviet grain sales suspension on American farmers. Furthermore, we now have an Assistant Secretary for Governmental and Public Affairs to strengthen the Department's public information and external affairs activities.

FISCAL YEAR 1980 BUDGET REQUEST

The fiscal year 1981 budget request for the Office of the Secretary totals $5,249,000, an increase of $370,000 over the current estimate for fiscal year 1980. Historically, this appropriation has been small and has not provided for much flexibility. Because of the lapse from vacant positions, we have been able to manage even within this small budget. However, we feel that we cannot continue to rely on lapse to solve our funding problems. Therefore, the major portion of this increase is to provide funding for staff in the areas of consumer affairs and human nutrition. Sepcifically, the increases are:

-- $200,000 for salaries and other operating costs for three positions for the Consumer Affairs Office. We are in the process of setting up this Office in response to Executive Order No. 12160 which directs the Secretary to establish a Consumers Affairs Office reporting directly to him. This Office would provide leadership and coordination to ensure that the Department's consumer programs are implemented effectively; ensure interagency cooperation, and eliminate duplication and inconsistency among agency consumer programs. Further, the Office would have general oversight of the Department's consumer outreach and involvement actions and procedures including establishing Departmentwide general policy and philosophy on involving consumers in decisions and programs.

-- $64,000 for the Human Nutrition Coordinator and related clerical support. The 1977 Food and Agriculture Act directed the Department to begin a concerted effort to coordinate nutrition programs within the Department and to take a leadership role in coordinating nutrition program efforts with other departments and agencies of the government.

Therefore, this policy level position was established to address specific problem areas which have been noted by the Congress and others regarding inconsistencies, gaps, and overlaps in nutrition information, performance evaluation criteria, and research objectives for the Department's programs.

-- $106,000 for increased operating costs including $35,000 for penalty mail, $35,000 for telecommunications, $31,000 for printing and reproduction, and $5,000 for annualization of pay increases effective in fiscal year 1980.

STATEMENT OF DR. WALLACE

Dr. WALLACE. Mr. Chairman, I appreciate the opportunity to be here today to discuss with you and the members of the subcommittee the fiscal year 1981 budget request for the Office of the Secretary. I will also be discussing the one for Departmental Administration.

The appropriation for the Office of the Secretary continues to provide funding for the Department's top level policy officials and their staffs. This includes the immediate Office of the Secretary, the Deputy Secretary, and the assistant secretaries and the administrative law judges and judicial officers.

During the past year the major emphasis has been on internal aligning of personnel resources in the Office to provide more effective policy development, policy direction, and coordination in the Department's constituent agencies.

The Deputy Secretary position was filled last March after having been vacant for almost a year. At the present time, all of the top level policy positions are filled. We now have an under secretary and deputy under secretary for international affairs and commodity programs positions. Previously, as you know, this was an assistant secretary position.

We also have now an assistant secretary for governmental and public affairs to strengthen the Department's public information and external activities.

FY 1981 BUDGET REQUEST

The fiscal year 1981 budget requests for the Office of the Secretary totals $5,249,000, an increase of $370,000 over the current estimate for fiscal year 1980. Historically, this appropriation has been small and has not provided for much flexibility. But because of lapse from the vacant positions in previous years, we have been able to manage even within the small budget. However, we feel that we cannot continue to rely on lapse funds to solve our funding problems. Therefore, the major portion of this increase is to provide permanent funding for staff in the areas of consumer affairs and human nutrition.

CONSUMER AFFAIRS OFFICE

Specifically, the increases are $200,000 for salaries and other operating costs for the Office of Consumer Affairs, and we are in the process of setting up this office in response to Executive Order 12160 which directs the Secretary to establish a consumer affairs office reporting directly to him. This office will provide leadership and coordination to assure that the Department's consumer programs are implemented effectively, to insure interagency cooperation, and to eliminate duplication and inconsistencies among agency programs.

Further, the office would have general oversight of outreach and involvement actions in procedures, including establishment of a general philosophy and policy. Also, we will continue to enhance the Secretary's efforts to have consumers and producers join goals.

HUMAN NUTRITION COORDINATOR

There is $64,000 for the human nutrition coordinator and related clerical support. The 1977 Food and Agricultural Act directed the Department to begin a concerted effort to coordinate nutrition programs within the Department and to take a leadership role in coordinating these program efforts with other departments and agencies in the government.

Therefore, this policy level position was established to address specific problems in the areas which had been noted by Congress and others regarding inconsistencies, gaps, overlaps in the nutrition area, performance evaluation criteria, and the research objectives for the Department's programs.

NON-DISCRETIONARY INCREASES

There is $207,000 being asked for non-discretionary cost increases, including $5,000 for annualization pay increases.

OFFICE OF CONSUMER AFFAIRS

Mr. ANDREWS. You mentioned, though, that you are going to want $200,000 to set up a three-man office of consumer affairs.

Mr. HJORT. That, also, is not in my immediate responsibility.

Dr. WALLACE. It is the Office of the Secretary.

Mr. ANDREWS. Are you also going to be setting up an office of producer affairs?

Dr. WALLACE. The Office of Consumer Affairs was established in response to an Executive Order that asked that a staff headed by someone reporting directly to the Secretary be set up to respond to consumer issues.

Also, the Consumer Affairs Office is to provide information to the consumers and, I suspect, the philosophy behind it, in relation to the producer, is that it would be helpful for the consumer to know more about the producer.

Mr. ANDREWS. How many consumer programs do you have within the department?

Dr. WALLACE. There are a number. The——

Mr. ANDREWS. Could you provide them for the record?

Dr. WALLACE. Yes.

[The information follows:]

CONSUMER PROGRAMS

The Department has direct and indirect "consumer programs". Those benefiting consumers directly range from the Food Stamp program to consumer information and loan programs for personal, family and household purposes. Many other programs and services of the Department directly address the needs of producers. Still others serve the public as a whole, not just consumers.

Although we are prone to think of consumers and producers as entirely different "publics," in fact they are often the same people. All producers are consumers, though not all consumers are producers. The Department's consumer affairs plan is concerned essentially with meeting the needs of all citizens in their role as consumers. This perspective will guide the process of identifying and strengthening so-called consumer programs in the Department.

Dr. WALLACE. Many USDA programs affect consumers: food stamps, Forest Service, camping facilities, Farmers Home Loans for those other than production, food quality regulations.

Mr. ANDREWS. But you say this office is going to have general oversight of the department's consumer outreach involvement, actions, and procedures, including establishing departmentwide general policy and philosophy and involving consumers in decisions and programs. You say all of this in the transcript.

Does this mean that this group is going to handle the public participation funding?

Mr. HJORT. No, sir, Mr. Andrews. That comes under my responsibility. That responsibility is lodged in the office that Steve Dewhurst heads.

Mr. ANDREWS. Thank you, Mr. Chairman.

Mr. WHITTEN. In your statement you mention that during the past year major emphasis has been placed upon aligning the personnel resources of the office to provide more effective policy development. Please describe the changes in which the Office of the Secretary is better accomplishing its function.

Dr. WALLACE. Because the formulation and direction of policy and programs of the Department is carried out by this office, we feel it is significant that all the top level policy positions are presently filled. This was not the case in the recent past.

Furthermore, by elevating the Assistant Secretary for International Affairs and Commodity Programs to the Undersecretary level and adding a Deputy Undersecretary, we are responding to the need to strengthen our efforts in this key area.

Finally, we now have an Assistant Secretary for Governmental and Public Affairs to strengthen the Department's public information and external affairs activities.

CONSUMER AFFAIRS OFFICE

Mr. WHITTEN. You have established a Consumer Affairs Office. Please document the creation of this, citing the authority and providing for the record the Secretary's Memoranda setting up this office.

Dr. WALLACE. On September 26, 1979, President Carter signed Executive Order 12160. "Providing for Enhancement and Coordination of Federal Consumer Programs." This order required all Federal agencies to develop consumer affairs plans. The Department's plan was published in the Federal Register on December 10, 1979 along with the plans of 30 other departments and agencies. The USDA plan calls for a small Office of Consumer Affairs to be headed by the newly-appointed Special Assistant to the Secretary for Consumer Affairs. The public was invited to submit comments before March 10.

The plans will be evaluated, revised, and resubmitted for approval within the Department and by the White House Office of Consumer Affairs. The schedule calls for publication of final plans on June 9, with an effective date of July 9.

A Secretary's Memorandum will be prepared as a part of this process, but not issued until the Department's final plan is approved.

Mr. WHITTEN. On this Consumer Affairs Office, you state that the Office would have general oversight of the Department's consumer

outreach and involvement actions and procedures including establishing department-wide general policy and philosophy on involving consumers in decisions and programs. What exactly are these people going to be doing? How are they going to accomplish this and in what way does this conflict or overlap with the public participation staffs now within the agencies of the Department?

Dr. WALLACE. The staff of the Department's Office of Consumer Affairs will consist of a director, a deputy director and a secretary. Working closely with the agencies and other offices having related responsibilities, the consumer affairs staff will guide and facilitate the process of helping the consuming public be better-informed participants in USDA decision-making. The Office will also help USDA agencies recognize and consider adequately the viewpoint of consumers.

The Office of Public Participation and the Decision Systems Staff are responsible for decision-making procedures and mechanisms. These include the development and updating of the Department's "decision calendar," overall public participation, the analysis of impacts of alternative decisions, and the review of regulations. The Office of Consumer Affairs will not duplicate these efforts. All of these offices will work as a team whenever their responsibilities are closely related. The Consumer Affairs plan will complement other efforts in the Department by focusing on consumer outreach, information and education, by developing improved guidelines for handling consumer complaints, and by assuring substantive analysis of the impacts on consumers of USDA rules, regulations and program decisions. USDA agencies and related offices will be fully involved in the development and implementation of the Consumer Affairs plan.

HUMAN NUTRITION COORDINATOR

Mr. WHITTEN. You are again requesting funding for a human nutrition coordinator and related clerical support. Please describe what these funds will be used for, specifically, and what the incumbent has been doing for the past year in carrying out the responsibilities for this position.

Dr. WALLACE. The Coordinator acts as staff to the Human Nutrition Policy Committee, which is composed of assistant secretaries and administrators within the Department who have primary responsibility for programs which impact human nutrition. Prior to creation of the Committee there was no focal point for resolution of mutual areas of overlap and concern in programs. For example, nutrition education and information services are conducted by several agencies within the Department. The Coordinator is responsible for establishing the process to insure that information generated by agency information offices, nutrition education programs, and other media programs is internally consistent and accurate. Similarly, in the area of research affecting human nutrition, the Coordinator facilitates the cooperation and coordination of research conducted by various agencies in the Department to insure that research needs are met for the Department's food assistance, nutrition education and regulatory activities.

Nutrition education and information activities of the Department are conducted by several agencies. In order to locate, describe, and

interrelate those programs, the Coordinator prepared the report, "Better Nutrition for the Nation." Efforts to reduce overlap and encourage cooperation between these programs at the state and local level are ongoing.

The Coordinator represents the Department to other agencies of the Federal Government which have responsibilities in human nutrition research, education or food assistance. The Coordinator acts as staff to the Informal USDA–HEW Coordinating Committee which is composed of the Surgeon General, the Director of the National Institutes of Health, and the Commissioner of the Food and Drug Administration from HEW with the Assistant Secretary for Food and Consumer Services, the Director of Science and Education Administration, the Director of the Human Nutrition Center from USDA, and the nutrition coordinators from HEW and this Department. The Informal Committee in 1979 sponsored a National Conference on Nutrition Education; a scientific task force to produce the dietary guidelines; a committee which has developed an inter-departmental data bank of nutrition education and information materials, and a committee preparing an implementation plan for nutrition status monitoring and surveillance.

The Coordinator was also responsible during this past year for the processing of nominees to the Human Nutrition Advisory Committee which will be established in 1980.

INCREASED OPERATING COSTS

Mr. WHITTEN. Your justification cites a need for an increase of $101,000 for increased operating costs, which would allow the Office of the Secretary to continue to provide policy guidance and direction for the Department at the current year program operations level. What would not be accomplished by the Office of the Secretary if this increase were not granted?

Dr. WALLACE. The requested $101,000 would be used to offset increased operating expenses resulting from inflationary pressures. Specifically, it would be used as follows: $35,000 for penalty mail, $35,000 for telephone charges, and $31,000 for printing and reproduction. This equates to about two staff years. If the increase were not granted, we would not be able to staff up to ceiling and would have to rely on lapse funds to fund the inflationary expenses.

OFFICE OF ENERGY

Mr. WHITTEN. Please discuss the activities carried out by the Department's Office of Energy in 1979. What is planned for 1980? What plans are considered for 1981 within the budget? Do that for the record.

[The information follows:]

The Office of Energy provides direction, coordination and leadership of the energy programs in the Department. This includes:

Developing USDA energy and energy-related policies and strategies;

Reviewing and evaluating USDA energy and energy-related programs and progress; and

Advising the Secretary and other policy-level officials of the Department on energy policies and programs.

Some of the major activities during FY 1979 included:

A comprehensive USDA energy management plan has been developed, and is currently being updated, to meet requirements of National energy policy and internal USDA policies as they relate to National energy policy. The USDA energy management plan serves as the primary basis for the coordination of energy-related activities within the Department; the Office of Energy assists the Secretary in coordinating such energy activities.

The Office of Energy has worked with DOE on problems which affect the supply of petroleum products to agriculture. In response to the tight diesel and gasoline supply situation during 1979, the USDA developed a fuel monitoring mechanism composed of reports from substate reporting districts on the availability of diesel, gasoline, and LP gas, and collaborated with DOE on the implementation of allocation regulations and informal management procedures to handle particular fuel supply problems in agriculture. The Office of Energy served as the primary focus in USDA for these activities.

Based upon the staff work of the Office of Energy, the Secretary of Agriculture issued a Final Rule, effective May 14, 1979, which certifies essential agricultural uses and volumetric requirements to be protected from curtailment of interstate natural gas supplies, pursuant to S401(b), NGPA. Uses include food and natural fiber production and processing, irrigation, crop drying, agricultural chemicals and fertilizer, animal feed, and food quality maintenance.

The Office of Energy has been delegated the responsibility by the Commodity Credit Corporation to carry out Section 1420 of the Food and Agriculture Act of 1977. Four pilot projects to convert agricultural commodities into ethanol and other fuels have been tentatively approved, and final loan closing is scheduled for Wednesday, March 19, 1980 on the first of these projects.

The Office of Energy prepared an alcohol fuels policy analysis for the Secretary of Agriculture. This work was done with the cooperative support of all relevant USDA offices having expertise appropriate to the issues being considered. The purpose of this study was to synthesize the available literature on the economics of grain-to-gasohol program options and to evaluate the results within the context of overall agricultural policy.

The Office, with the assistance of a private contractor, has published a technical manual entitled "Small-Scale Fuel Alcohol Production," which is being used by Farmers Home Administration, ASCS, and the Cooperative Extension Service in making loans and providing technical assistance for on-farm and other small distilleries.

Plans are being finalized by the USDA Office of Energy and the Department of Energy for a USDA management role in portions of DOE's biomass program.

Activities planned for 1980 include:

The Office of Energy will continue to provide direction, coordination and leadership of the energy program of the Department. It will develop USDA energy and energy-related program options and strategies, review and evaluate energy-related programs within USDA, advise the Secretary and other policy-level officials of the Department on energy policies and programs, and represent the Department on energy policies and programs.

The Office will respond to petitions for interpretations and amendment of the Essential Agricultural Uses List under Section 401 of the Natural Gas Policy Act of 1978. Under the Secretary's Administrative Procedures Rule relating to the NGPA, the Office of Energy has the responsibility for making adjustments to the Agricultural rule under NGPA as necessary to prevent special hardships, inequity, or unfair distribution of burdens.

The Office will be involved in discussions with the Federal Energy Regulatory Commission concerning implementation of amendments to the list of Essential Agricultural Uses. Additionally, it will continue to interact with FERC to ensure that essential agricultural users are not curtailed by pipelines operating contrary to the provisions of the NGPA.

The Office will continue to participate in discussions with the Federal Energy Regulatory Commission concerning agricultural use exemptions under the incremental pricing provisions of Section 206, NGPA.

The comprehensive USDA energy management plan will be reviewed, modified and updated. This plan serves as the primary basis for the coordination of energy-related activities within the Department; the Office of Energy will assist the Secretary in coordinating such energy activities.

Whenever a farmer or forester has difficulty obtaining fuel, the Office of Energy becomes the focal point within the Department to initiate corrective action. Inquiries from Congress or directly from the constituent results in a check of the general fuel situation monitored by ESCS at crop reporting district levels to determine if it is a unique or an area specific problem. The Office contacts the ASCS county office to determine the extent of the problem—which fuel involved, supplier involved, degree of shortfall, time period for resupply before losses would occur, etc. Once the situation is assessed, the Office of Energy contacts appropriate staff in DOE and discusses an appropriate course of action to resolve the problem. So far in 1980 the problems have been few, with most relating to aviation gasoline.

The Office of Energy has published the USDA technical manual "Small Scale Alcohol Fuel Production". This manual is being distributed to Farmers Home Administration offices for their use in financial assistance to farmers and community groups investing in small-scale ethanol plants. The manual is also being distributed to the Cooperative Extension Service offices to provide technical support to extension specialists who will assist small-scale alcohol producers, and to ASCS offices to assist in responding to inquiries from farmers.

The Office of Energy expects to coordinate a biomass energy program involving some $12.8 million of pass-through funds from DOE. The program will include research, development and financial assistance activities in alcohol fuels, wood energy and agricultural biomass areas.

The Office of Energy has developed a six-point alcohol fuels program for USDA to use its authorities to implement the President's alcohol fuels program and to reach his goal of 500 million gallons of annual capacity by 1981.

The Office will coordinate within USDA the development and implementation of a strong energy conservation program consistent with the President's energy conservation initiatives.

For 1981 the Office of Energy plans to continue its functions as the energy policy office of USDA, coordinating energy and energy-related activities within the Department with DOE and other Federal agencies. As facilities for conversion of biomass continue to come on line, the Office will assess the impact of energy production on resources needed for food, fiber, and forest products.

The Office of Energy will continue to have overall responsibility for the Industrial Hydrocarbons and Alcohols Pilot Project Program authorized under the Food and Agriculture Act of 1977. It is expected that increasing support in this program will be provided by the Farmers Home Administration.

Mr. WHITTEN. Four projects were approved by the Commodity Credit Corporation for guaranteed loans for pilot projects to convert agricultural and forestry products into industrial alcohols and hydrocarbons. Please discuss the status of each of these projects and the dollar amount involved with each.

Dr. WALLACE. The Office of Energy has been delegated responsibility by the Commodity Credit Corporation to implement Section 1420 of the Food and Agricultural Act of 1977, which directed the Secretary of Agriculture to guarantee loans of up to $15 million for each of four pilot projects to convert agricultural and forestry products into industrial alcohols and hydrocarbons. Tentative approval has been given to four pilot projects: Enerco, Inc., Langhorne, Pennsylvania; Biomass/SuChem Corporation, Savannah, Georgia. Guaranty Fuels, Inc., Independence, Kansas; and Farmers Grain and Fuel Products, Inc., Liberal, Kansas. The Farmers Grain Project was tentatively approved as an alternate to Midwest Solvents Company, Inc. when the latter withdrew from the program.

I will provide a brief description and status report on the projects.

[The information follows:]

1. Guaranty Fuels, Inc.

Tentative loan guarantee of $4,838,000 to construct a plant in North Carolina, to convert wood residues to fuel pellets. We expect to close this loan within the next few days.

2. Enerco, Inc.

Tentative loan guarantee of $6,900,000 to reproduce a mobile wood pyrolysis unit and place perhaps 20–25 such units at various locations for production of charcoal, a low BTU gas, and oil. Final approval is contingent upon Enerco demonstrating satisfactory operation of the equipment in a continuous mode.

3. Biomass/SuChem Corporation

Tentative loan guarantee of $15,000,000 to produce fuel and industrial alcohol from sugar cane bagasse. The project will involve a $1.3 million pilot testing phase at Purdue University and a $13.7 million plant construction-phase at Clewiston, Florida. Satisfactory terms are being sought for financing this project, particularly the Phase 1 pilot testing.

4. Farmers Grain and Fuel Products, Inc.

Tentative loan guarantee of $11,852,000 to help finance a 6-million-gallon-a-year anhydrous alcohol plant utilizing grain sorghum feedstocks. A cattle feedlot that will use all of the byproduct wet stillage generated by the distillery is an integral part of the project. This project was tentatively approved on February 29, 1980. However because of the readiness of the technology and advance work already done on engineering and financing we expect it to be ready for final approval within approximately two months.

Mr. WHITTEN. Please discuss what plans the USDA Office of Energy has for the use of pass-through funds from the Department of Energy.

Dr. WALLACE. The USDA and the Department of Energy have been developing documents which would transfer a portion of DOE's Biomass energy program to the USDA for management and operation. Some $12.8 million of pass-through funding for FY 1980 would be involved. With the recent establishment of DOE's Office of Alcohol Fuels it has become necessary to prepare separate documents for the alcohol fuels and non-alcohol fuels portions of the program. We have been meeting regularly with DOE concerning this program and expect to reach agreement in a few days. The biomass funds will be used for forestry and agricultural biomass research and development and supporting economic research and analysis. The alcohol fuels funds will be used for on-farm alcohol demonstration projects. Coordination and synthesis will be provided by the Office of Energy.

Mr. WHITTEN. For the record please list all funds available to USDA in 1980 and 1981 for energy work and how they will be used.

Dr. WALLACE. I will provide that information for the record.

[The information follows:]

The following table describes the Department's programs by agency and activity for fiscal years 1980 and 1981:

Program	1980 Estimate	1981 Request
	($ in Millions)	
Research		
SEA/AR:		
. Energy centers at Peoria, Ill., and Tifton, GA. Initiated in 1980, work is in support of alcohol, methane and other biomass technology	$3.5	$3.5
. Energy aspects of continuing work. Current research on crop and animal production, post harvest technology, etc., produces information on energy conservation, the consequences of energy production and use, and development of alternative sources	11.5	11.5
Total, SEA/AR	15.0	15.0
SEA/CR:		
. Energy centers. Funds will be awarded as special grants in coordination with the work at the AR labs at Peoria and Tifton	2.4	2.4
. Energy aspects of continuing work along lines similar to those of AR	1.4	1.4
Total, SEA/CR	3.8	3.8
ESCS:		
. Economic research addressing a broad range of current energy problems	.8	.8
FS:		
. Research primarily on forest products and residues. 1981 proposed increase is for additional research on biomass energy production	10.0	13.0
Subtotal, Research	$29.6	$32.6

Energy Programs continued--	1980 Estimate	1981 Request
	($ in Millions)	
Education and Demonstration		
SEA/Ext:		
. Energy centers. Funds would provide for extension assistance in disseminating information developed at the AR labs at Peoria and Tifton	.3	.3
. Energy aspects of continuing extension assistance on energy conservation and production	5.2	5.2
Total, SEA/Ext.	5.5	5.5
FS:		
. Demonstration projects to promote new ways to produce, manage and market energy from forest products	8.8	14.8
Subtotal, Education and Demonstration	14.3	20.3
Total Research, Education and Demonstration	43.9	52.9
Loan Programs		
CCC:		
. Loan guarantees for four new alcohol production plants	(38.6)[a/]	- -
FmHA:		
. Loans under farm ownership, farm operating, and business and industrial loan programs to build large and small scale alcohol and methane production plants	(110.0)[b/]	(110.0)[b/]
Total Loan Programs	(148.6)	(110.0)

Department of Energy (DOE) pass-through funds

Reliable estimates on pass-through funds for fiscal year 1981 are not currently available. In fiscal year 1980, the Department expects to receive the following amounts from DOE:

	$ in Millions
Biomass research and demonstration projects (including alcohol and methane production)[c/]	$12.8
Research and demonstration projects carried out by the Science and Education Administration	6.1
Research projects carried out by the Forest Service	1.0
Total	$19.9

[a/] Section 1420 of the Food and Agriculture Act of 1977 authorized a total of 4 loan guarantees at no more than $15 million each. The $38.6 million figure represents the total funding for the 4 projects that have been tentatively approved.

[b/] These figures represent the Department's commitment to target up to $100 million under the business and industrial loan program, and $10 million under the farm ownership and operating loan programs, for these purposes.

[c/] Decisions on distribution of these funds among USDA agencies have not been made.

MOTOR VEHICLES

Mr. WHITTEN. On page 14 of your justification, you state that in 1981 you want to continue the authority to replace one automobile, a 1971 Ford Custom 500. What is this automobile used for? What are the three vehicles under lease and how are they used?

Dr. WALLACE. Mr. Chairman, the 1971 Ford is being used primarily for mail pickup and deliveries. On occasion it is also used to supplement the Departmental courier operations.

The six leased vehicles are 1979 Chrysler LeBarons. These cars are used by the Secretary, Deputy Secretary, the Assistant Secretaries and a few other designated officials of the Department. A list of persons authorized to use these cars is maintained by the Drivers' Unit. As a guideline, the car may be used in any situation where Government reimbursement of taxi fares would be authorized.

STAFFING IN THE OFFICE OF THE SECRETARY

Mr. WHITTEN. With regard to staffing of the Office of the Secretary in personnel and funds, please update the table which appears on page 3 of last year's hearings.

[The information follows:]

60-240 O - 80 - 25

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY

Analysis of Personnel and Funds Available for FY 1980 and Budgeted for FY 1981

	FY 1980 Direct Appropriation		Program Increases	Non-Discretionary Cost Increases	Pay Annualization	Total Increases	1981 Budget Request	
	Funds	Staff Years					Funds	Staff Years
Immediate Office of the Secretary and Deputy Secretary	2,074,520	37	+$264,000	$31,000	$1,889	+$296,889	2,371,409	40
Governmental & Public Affairs	129,574	2	- -	- -	111	111	129,685	2
Assistant Secretaries:								
Assistant Secretary for Administration	288,911	8	- -	10,000	355	10,355	299,266	8
Economics, Policy Analysis and Budget	338,628	9	- -	10,000	545	10,545	349,173	9
International Affairs	394,093	10	- -	11,000	497	11,497	405,590	10
Food & Consumer Services	251,639	7	- -	10,000	400	10,400	262,039	7
Marketing Services & Transportation	242,358	5	- -	9,000	352	9,352	251,710	5
Rural Development	246,358	6	- -	10,000	400	10,400	256,758	6
Natural Resources & Environment	332,172	9	- -	10,000	451	10,451	342,623	9
Office of Administrative Law Judges	465,385	16	- -	- -	- -	- -	465,385	16
Office of Judicial Officer	115,362	3	- -	- -	- -	- -	115,362	3
TOTAL, OFFICE OF THE SECRETARY	4,879,000 a/	112	+264,000	101,000	5,000	+370,000	5,249,000	115

a/ Includes anticipated supplemental of $409,000 for 1980 pay increase.

OFFICE OF ADMINISTRATIVE LAW JUDGES

Mr. WHITTEN. For the record, please show the number of cases pending in the Office of Administrative Law Judges. How many were closed, and how many were assigned during the first quarter of fiscal year 1980? How does this compare with the first quarter of fiscal year 1979? Please show the workload potential of the pending cases and what workload projections you have made for fiscal year 1981.

[The information follows:]

During the first quarter of fiscal year 1980, October 1–December 31, 48 cases were assigned, 46 cases were closed, and 54 cases were pending as of December 31, 1979. The pending 54 cases represent 1,045 mandays of workload potential.

During the first quarter of fiscal year 1979, 65 cases were assigned and 64 cases were closed. There were 72 cases pending as of December 31, 1978, which represented 1,377 mandays of workload potential.

With respect to fiscal year 1981, we project 119 hearing, 24 rulemaking and 95 adjudicatory cases and the completion of 290 adjudicatory cases. It is anticipated that 95 of the 290 adjudicatory proceedings will be completed after full hearing and briefing. The remaining 195 dispositions will consist of decisions upon default and consent orders following partial hearing or upon waiver of hearing. The 290 proceedings represent 2,243 mandays of workload potential.

Mr. WHITTEN. With regard to the Office of Administrative Law Judges, provide for the record a table showing the estimated quantity of work to be performed in fiscal year 1981 under each of the statutes administered by the Department and include comparisons with fiscal years 1979 and 1980.

Dr. WALLACE. I will provide that information for the record.

[The information follows:]

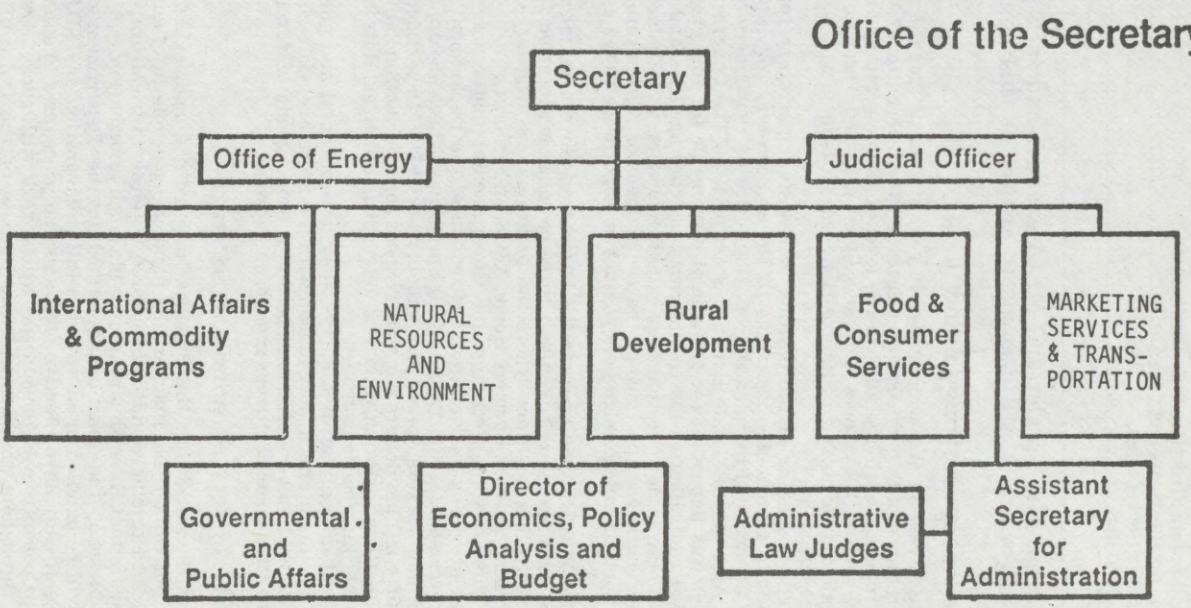
Office of Administrative Law Judges

	Fiscal Year 1979		Fiscal Year 1980 (Projected)		Fiscal Year 1981 (Projected)	
	Hearings	Dispositions	Hearings	Dispositions	Hearings	Dispositions
Agricultural Marketing Agreement Act, 1937:						
Adversary	10	12	10	12	10	12
Rulemaking	18	--	27	--	24	--
Packers and Stockyards Act	14	103	20	148	20	148
Perishable Agricultural Commodities Act	7	36	15	35	15	35
Wheat Research and Nutrition Act	3	--	--	--	--	--
Tobacco Inspection Act (Rulemaking)	1	--	--	--	--	--
Animal Quarantine and Related Laws (Veterinary Accreditation)	5	10	5	10	5	10
Animal Welfare Act	10	20	20	35	15	30
Horse Protection Act	15	30	25	40	20	35
Grain Standards Act	1	2	1	2	--	--
Federal Meat Inspection Act	5	10	5	10	5	10
Agricultural Marketing Act, 1964 (I&G)	5	10	5	10	5	10
Beef Research & Information Act (Rulemaking)	1	--	--	--	--	--
Miscellaneous	--	1	--	--	--	--
Totals	95	234	133	302	119	290

ORGANIZATIONAL CHART

Mr. WHITTEN. Please provide for the record a detailed organization chart for the Office of the Secretary, showing the funds allocated to each organization.

[The information follows:]


Office of the Secretary
Secretary
Office of Energy
Judicial Officer
International Affairs & Commodity Programs
NATURAL RESOURCES AND ENVIRONMENT
Rural Development
Food & Consumer Services
MARKETING SERVICES & TRANS-PORTATION
Governmental and Public Affairs
Director of Economics, Policy Analysis and Budget
Administrative Law Judges
Assistant Secretary for Administration

Funding for the Office of the Secretary

	1981 budget request
1. Program and policy direction and coordination:	
(a) Office of the Secretary	2,501,094
(b) Assistant Secretaries	2,167,159
2. Regulatory hearings and decisions	580,747
Total	5,249,000

Mr. WHITTEN. Mr. Traxler and Mr. Alexander had each prepared some questions which I will ask you to answer at this point in the record.

[The questions and responses follow:]

Mr. TRAXLER. Secretary Wallace, I noted in your statement that the position of Assistant Secretary and Deputy Assistant Secretary for International Affairs and Commodity Programs were upgraded to the level of Undersecretary and Deputy Underscretary. Why? What does this accomplish? Does it provide simply a higher pay scale for the holders of the position? Does it help us with our dealings with foreign governments?

Response. The upgrading of the position of Assistant Secretary for International Affairs and Commodity Programs to Under Secretary for International Affairs and Commodity Programs reflects the desire of the Congress as manifested in the Agricultural Trade Expansion Act of 1978. The Congress felt, and I agree, that it was important for the official responsible for this program area to be at a level equivalent to his counterparts in other agencies and in foreign governments. There is not question that establishment of this Under Secretary position has strengthened the voice of the Department of Agriculture in discussions of both domestic and foreign policy issues of importance to the agricultural community.

Mr. TRAXLER. Why did you upgrade the Director of Governmental and Public Affairs to Assistant Secretary? Wouldn't there be equal justification for upgrading a number of other positions where the programs are even larger, like the Food and Nutrition Service, Farmers Home, ASCS, and others?

Response. The Assistant Secretary for Governmental and Public Affairs is responsible for providing leadership and direction of the Department's Congressional, Intergovernmental and Public Affairs programs. There are approximately 1,230 information workers spread throughout the USDA. Departmentwide approximately fifty million dollars per year is spent for information support which includes publications, printing, film and television, radio, exhibits and photographs, and other information support.

The incumbent not only leads the day-to-day governmental and public affairs activities, he also maintains a close liaison with the Secretary, state governments and state officials, Members of Congress, and a broad group of farm and commodity organization leaders, citizens groups, and others.

CONSUMER AFFAIRS OFFICE

Mr. TRAXLER. I realize that the President ordered a Consumer Affairs Office to be set up, but can't these functions be handled by people in other agencies? For example, food pricing could be monitored by either Agricultural Marketing or ESCS. I'm sure that Extension could provide much information.

RESPONSE. Most of the functions described in the Department's consumer affairs plan will be handled by or with the full collaboration of USDA agencies. Many agencies already have effective programs and procedures to enhance public participation. Cooperative Extension specialists work with consumers on a day-to-day basis throughout the country. The purpose of the Office of Consumer Affairs is, first of all, to strengthen and expand consumer outreach, information and education, so as to encourage earlier and better-inforced consumer participation in USDA rulemaking and program decisions. Secondly, the Office of Consumer Affairs will help increase departmentwide awareness and consideration of consumer interests and impacts of USDA decisions, fully recognizing the diversity of programs from one agency to the next.

The Special Assistant to the Secretary for Consumer Affairs has formed a Consumer Affairs Working Group with representatives from 13 USDA agencies and offices having related responsibilities. The group will play a key role in guiding the implementation of the Department's consumer affairs plan.

Mr. TRAXLER. When will you do something similar to upgrade programs for farmers? Maybe greater emphasis needs to be paid to helping farmers find programs that help them.

RESPONSE. The new consumer affairs initiative will in no way lessen the Department's continuing commitment to improve effectiveness of all of its programs.

As farmers are also consumers when they buy goods and services for personal or household purposes, they too should benefit directly from the Department's consumer affairs plan.

Moreover, increased consumer understanding and participation in USDA decision-making can, in many cases, lead to a much clearer consumer recognition of the needs of farmers and support for programs to meet those needs.

HUMAN NUTRITION COORDINATOR

Mr. TRAXLER. Why do you have to set up a human nutrition coordinator? Most programs are handled by FNS, with the exception of the Expanded Food and Nutrition Education program. It seems that all you would need is an interagency agreement. Is this expansion really necessary?

RESPONSE. The Government Accounting Office, the Office of Science and Technology Policy, and other offices have criticized the Department of Agriculture for the failure of one hand not knowing what the other is doing. The human nutrition coordinator position was created to provide a focal point within the Department through which interagency as well as inter-departmental nutrition policies and programs might be coordinated. The Coordinator acts as staff to the Human Nutrition Policy Committee, which is composed of assistant secretaries and program administrators within the Department whose programs have mutual areas of overlap and concern. For example, nutrition education and information services are conducted by various agencies within the Department. The Coordinator is responsible for establishing the process by which to insure that information released to the public through either our information offices, nutrition education programs, or other media means, are consistent and accurate. Similarly in the area of research affecting human nutrition, the Coordinator facilitates the cooperation and coordination of various agencies in the Department in conducting human nutrition research which meets the needs of the Department's various food assistance and education programs as well as its regulatory activites.

The attached report to Congress, "Food and Nutrition in the 1980's: Moving Ahead" was coordinated by the Human Nutrition Coordinator who is responsible for overseeing the ongoing communication between the agencies in the areas indicated. Additionally, the Coordinator represents the Department in its various negotiations and program implementation agreements with other agencies of the Federal Government. The Coordinator acts as staff to the informal USDA–HEW Coordinating Committee which is composed of the Surgeon General, the Director of the National Institutes of Health, and the Commissioner of the Food and Drug Administration from HEW with the Assistant Secretary for Food and Consumer Services, the Director of Science and Education Administration, the Director of the Human Nutrition Center from USDA, and the nutrition coordinators from HEW and this Department. The Informal Committee in 1979 sponsored a National Conference on Nutrition Education; the scientific task force which designed the dietary guidelines; the committee which has produced an inter-departmental data bank of nutrition education and information materials, and a committee preparing an implementation plan for nutrition status monitoring and surveillance.

The Coordinator was also responsible during this past year for processing of the nominees to the Human Nutrition Advisory Committee which will be established in 1980.

Mr. TRAXLER. How do you handle receiving nutrition information at this time?

Response. Prior to the creation of the Coordinator position information was infrequently shared between agencies of the Department with responsibility for human nutrition activities. For example, research conducted in what was then Agricultural Research Services rarely addressed research needs of the food assistance and food regulation programs; nutrition education programs conducted by Extension Service did not respond to needs of food assistance program participants; education and information materials produced by different agencies often duplicated or contradicted one another; and program decisions made by one agency were sometimes in conflict with those made another.

The Coordinator is responsible for knowing the program content, operations, and purpose of all USDA human nutrition programs, and for facilitating interrelationships between these programs. Additionally, the Coordinator is responsible for knowing the nutrition programs of HEW and other government departments at the federal, state, and local level, and for encouraging cooperation and coordination between them to the degree possible. For example, nutritionists employed by local and state public health departments and home economists employed by Cooperative Extension services at state and local levels in the past have not cooperated with one another to reach target population groups with nutrition education, information, and nutrition services. The Coordinator has initiated an effort to develop cooperative agreements between these personnel to ensure that the needs of target groups identified by Congress are met without duplication thus maximizing the number of persons who can be served and providing services appropriate to their needs. To receive information about these various programs, the Coordinator attends staff meetings of the administrators of each of the programs; clears certain types of inquiries and responses, such as GAO reports; OSTP requests, etc.; plans and staffs meetings of the Human Nutrition Policy Committee; and represents the Department to other departments of the Federal Government.

Mr. TRAXLER. Is it a goal of USDA to implement the seven nutrition guidelines developed by the Senate Select Committee on Nutrition a few years ago?

Response. In 1979 the Department, along with HEW, worked on the development of a set of nutrition guideliness which were released in February of 1980. Both Departments will distribute a copy off the guidelines through their nutrition education and information programs.

Additionally, to the extent that USDA is the purchaser of foods for the Child and Elderly Nutrition Programs, it will attempt to make food purchases which do not conflict with the nutrition guidelines. For example, canned fruits purchased for the National School Lunch Program during 1979 were purchased in light syrup rather than heavy syrup; ground beef purchased for the program contained a maximum of 22 percent fat rather than the level of 28 percent allowed in previous years.

ALCOHOL LOAN GUARANTEE PROGRAM

Mr. ALEXANDER. Under the pilot plant program provisions of the Food and Agriculture Act of 1977, USDA received authority to guarantee up to $60 million in loans for four pilot plants to produce alcohol. As I understand it, this program is administered by the Office of Energy in USDA. Has USDA officially awarded the loan guarantees or is approval still tentative?

Response. Approval is still tentative on all four loan guarantees.

Mr. ALEXANDER. What is the status of USDA's efforts to fill the open loan guarantee award in view of Mid-West Solvents' withdrawal from the program?

Response. Farmers Grain and Fuel Products, Inc., Liberal, Kansas, has received tentative approval as an alternate to Midwest Solvents.

Mr. ALEXANDER. What are the milestone dates by which USDA announced a request for solicitations for the loan guarantee program?

RESPONSE. Proposals were requested in the July 11, 1978 Federal Register, with a closing date of October 16, 1978.

Mr. ALEXANDER. How long did it take between the initiation of the program and USDA's final decisions on the loan guarantee applications?

RESPONSE. Final decisions on the projects have not been made. A closing date of March 19, 1980 has been set for the first loan, Guaranty Fuels, Inc.

Mr. ALEXANDER. How many loan guarantee applications for participation in the pilot alcohol production plant program has USDA received?

RESPONSE. Thirty applications were received.

DEPARTMENT OF ENERGY RELATIONSHIP WITH USDA

Mr. ALEXANDER. There is a Memorandum of Understanding between the Department of Energy and USDA under which DOE agreed to transfer $12 million to USDA to be used for small-scale plant commercialization of alcohol production. Have these funds for commercialization of small-scale facilities actually been transferred to USDA? If not, why not?

RESPONSE. A total of $12.8 million of pass-through funding is expected from DOE. Part of this will be for small-scale alcohol plant commercialization and

part for non-alcohol biomass research and development. The funds have not been transferred to USDA yet. However, final action is expected within the next few days.

[Clerk's note: The reply provided is not fully responsive to the question.]

Mr. ALEXANDER. To which USDA agencies or agencies will the responsibility for administering the $12 million in DOE funds be allocated? If more than one agency is to be involved please specify the involvement of each.

RESPONSE. The Forest Service, Science and Education Administration, Economics, Statistics, and Cooperatives Service, Farmers Home Administration and Office of Energy will have responsibilities in the program.

[Clerk's note: The reply provided is not fully responsive to the question.]

Mr. ALEXANDER. Has DOE already made commitments with regard to the allocation to projects of any of the $12 million or will that be the responsibility of USDA? If commitments have already been made for part of the funding please indicate the amount and what it is to be used for in terms of projects?

RESPONSE. DOE has already made commitments with regard to some of the projects. Information on the exact amount of prior commitment for individual projects is now being provided by DOE.

SMALL-SCALE ALCOHOL PLANTS

Mr. ALEXANDER. What is USDA's definition of a small-scale alcohol fuel production plant, in terms of gallon output per year?

RESPONSE. Expectations are that the emphasis in USDA funding will be on relatively small-scale alcohol plants that will benefit farmers and rural areas. These will include on-farm plants, farm cooperatives, and other plants in predominantly rural areas.

[Clerk's note: The reply provided is not responsive to the question.]

Mr. ALEXANDER. What is the highest per year output in gallons that a plant USDA can help finance?

RESPONSE. A fixed gallonage limit would not be practical because USDA may provide partial support for some large plants that meet these criteria.

Mr. ALEXANDER. Are the negotiations between USDA and DOE over what size alcohol plant each will assist in funding still going on, or have they been completed? If they have been completed what was the result?

RESPONSE. Negotiations with DOE on plant size are still underway.

Mr. ALEXANDER. Under Title III, Gasohol Motor Fuels Act of 1979, S. 932, DOE has responsibility for processing $1.2 billion in alcohol fuel plant funding. One-third of this funding is earmarked for use in small-scale facilities defined as 2 million gallons or less per year. Does USDA expect that these funds will be transferred to its jurisdiction for administering?

RESPONSE. USDA expects to utilize existing agencies and expertise such as the Farmers Home Administration to administer funding provided by S. 932 for small-scale alcohol facilities.

Mr. WHITTEN. Thank you, very much.

[The explanatory notes follow:]

OFFICE OF THE SECRETARY

Purpose Statement

The Secretary of Agriculture, assisted by the Deputy Secretary, the Assistant Secretaries, and members of their immediate staffs, directs and coordinates the work of the Department. This includes developing policy, maintaining relationships with agricultural organizations and others in the development of farm programs, and maintaining liaison with the Executive Office of the President and members of Congress on all matters pertaining to agricultural policy.

The Office of Energy functions as the Coordinator of the Department's energy policies and strategies and serves as the Department's liaison with the Department of Energy and other government agencies.

The administrative law judges hold rulemaking and adjudicatory hearings and issue initial decisions and orders, and the Judicial Officer serves as final deciding officer in regulatory proceedings.

The general authority of the Secretary to supervise and control the work of the Department is contained in the Organic Act (7 U.S.C. 2201-2202). The delegation of regulatory functions to Department employees and authorization of appropriations to carry out these functions is contained in 7 U.S.C. 450c-450g.

The Secretary's Office and the staffs financed from this appropriation are all located in Washington, D.C. On September 30, 1979, the office and staffs had 105 permanent full-time and 10 part-time intermittent employees.

OFFICE OF THE SECRETARY

Available Funds and Staff-Years
1979 and Estimated, 1980 and 1981

Item	Actual, 1979		Estimated Available, 1980		Estimated Available, 1981	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Direct Appropriation	$4,396,000	114	$4,879,000	112	$5,249,000	115
Obligations under other USDA Appropriations:						
For travel and other expenses of administrative law judges	25,000	- -	25,000	- -	25,000	- -
Combined Forest Pest Program	49,121	2	- -	- -	- -	- -
Pesticides Coordination	111,906	2	- -	- -	- -	- -
Board of Forest and Contract Appeals	313,919	8	379,000	8	379,000	8
Environmental Quality	175,867	5	506,000	11	506,000	11
White House Fellow	41,644	1	54,000	1	54,000	1
Environmental Council	197,885	- -	255,000	5	255,000	5
OEO support	5,658	1	- -	- -	- -	- -
Total, Other USDA Appropriations	921,000	19	1,219,000	25	1,219,000	25
TOTAL, Agriculture Appropriations	5,317,000	133	6,098,000	137	6,468,00	140

End-of-Year Employment	1979 Actual	1980 Estimated	1981 Estimated
Permanent Full-time	105	131	134
Other	10	5	5
TOTAL	115	136	139

OFFICE OF THE SECRETARY

Permanent Positions by Grade and Staff-Year Summary
1979 and Estimated, 1980 and 1981

Grade	Headquarters 1979	1980	1981
Executive Level I	1	1	1
Executive Level II	1	1	1
Executive Level III	1	1	1
Executive Level IV	4	4	4
ES-6	6	6	6
ES-5	3	3	3
ES-4	3	3	3
ES-1	7	7	7
GS-16	5	9	9
15	15	17	18
14	7	7	7
13	3	2	3
12	5	5	5
11	8	8	8
10	2	2	2
9	4	5	5
8	16	16	16
7	25	22	23
6	2	2	2
5	1	2	2
4	8	8	8
Other Graded Positions	--	--	--
Ungraded Positions	2	2	2
Total Permanent Positions	127	133	136
Staff-Years:			
Permanent	127	131	134
Other	6	6	6
Total	133	137	140

OFFICE OF THE SECRETARY

Classification by Objects
1979 and Estimated 1980 and 1981

		1979	1980	1981
Personnel Compensation:				
Headquarters		$3,034,418	$3,969,000	$4,117,000
Total, Personnel Compensation		3,034,418	3,969,000	4,117,000
Personnel Benefits		293,122	375,000	382,000
21	Travel	243,125	202,000	208,000
23.1	SLUC.....	405,000	336,000	338,000
23.2	Communications Utilities and Other Rent	346,740	296,000	372,000
24	Printing & Reproduction	244,985	159,000	230,000
25	Other Services	564,516	648,000	685,000
26	Supplies & Materials	66,453	68,000	86,000
31	Equipment	39,687	45,000	50,000
	Total Other Objects....	2,203,628	2,129,000	2,351,000
	Total Obligations	5,238,046	6,098,000	6,468,000
Position Data:				
Average Salary, GS positions		22,194	25,944	26,058
Average Grade, GS positions		9.78	10.34	10.38

OFFICE OF THE SECRETARY

The estimate includes appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of the Secretary:

For necessary expenses of the Office of the Secretary of Agriculture, including not to exceed $75,000 for employment under 5 U.S.C. 3109, [$4,470,000:] $5,249,000 Provided, That this appropriation shall be reimbursed from applicable appropriations in this Act for travel expenses incident to the holding of hearings as required by 5 U.S.C. 551-558: Provided further. That not to exceed $8,000 of this amount shall be available for official reception and representation expenses, not otherwise provided for, as determined by the Secretary.

OFFICE OF THE SECRETARY

Appropriation Act, 1980		$4,470,000
Budget Estimate, 1981		5,249,000
Increase in Appropriation		+779,000
Adjustments in 1980:		
Appropriation Act, 1980	$4,470,000	
1980 Supplemental Appropriation for pay costs	+409,000	
Adjusted base for 1981		4,879,000
Budget Estimate, 1981		5,249,000
Increase over adjusted 1980		+370,000

SUMMARY OF INCREASES AND DECREASES
(On the basis of adjusted appropriation)

Item of Change	1980 Estimated	Program Changes	1981 Estimated
1. Program and policy direction and coordination:			
(a) Office of the Secretary	$2,204,094	+$297,000	$2,501,094
(b) Assistant Secretaries	2,094,159	73,000	2,167,159
2. Regulatory hearings and decisions	580,747	- -	580,747
TOTAL AVAILABLE	4,879,000	370,000 a/	5,249,000

a/ Includes a total increase of $101,000 toward increased operating costs in order to sustain performance levels for continuing programs. Includes a total increase of $5,000 for the portion of pay increases effective in FY 1980 which were absorbed in FY 1980 but which are necessary to carry out the programs proposed for FY 1981.

PROJECT STATEMENT
(On the basis of adjusted appropriation)

Project	1979	1980 (Estimated)	Increase Or Decrease	1981 (Estimated)
1. Program and policy direction and coordination:				
(a) Office of the Secretary	$1,833,455	$2,204,094	+$297,000	$2,501,094
(b) Assistant Secretaries	1,903,874	2,094,159	73,000	2,167,159
2. Regulatory hearings and decisions	579,671	580,747	- -	580,747
Unobligated balance	79,000	- -	- -	- -
Total available or estimate	4,396,000	4,879,000	370,000(1)	5,249,000
Proposed supplemental for pay increase costs	- -	-409,000		
Activities transferred to the:		- -		
Office of Governmental & Public Affairs	+19,000	- -		
Total Appropriation	4,415,000	4,470,000		

Explanation of Program

This appropriation provides funding for the following activities:

Program and Policy Direction and Coordination
This activity includes the Secretary, Deputy Secretary, Assistant Secretaries and their immediate staffs who provide policy guidance and direction for the Department.

Regulatory Hearings and Decisions
This activity includes the work of the Administrative Law Judges and the Judicial Officer. The Administrative Law Judges carry out the provisions of the Administrative Procedure Act relating to the holding of hearings (5 U.S.C. 556). Hearings are held in connection with prescribing of new regulations and orders, and on disciplinary complaints filed by the Department, or on petitions filed by private parties asking relief from some action of the Department. The Hearing Clerk Unit, which operates under the Office of Administrative Law Judges is responsible for receiving, filing and acknowledging the receipt of Complaints, petitions, answers, briefs, arguments, and other documents filed with the Department of Agriculture in connection with quasi-judicial and administrative proceedings under various regulatory laws administered by the Department.

The Judicial Officer renders final administrative decisions in regulatory proceedings.

Justification of Increases

(1) An increase of $370,000 for the Office of the Secretary and Deputy Secretary consisting of:

(a) An increase of $5,000 for pay cost.

(b) An increase of $101,000 for increased operating costs. These funds are required to allow the Office of the Secretary to continue to provide policy guidance and direction for the Department at the current year program operations level.

(c) An increase of $200,000 for the Consumer Affairs Office

Need for Change - Executive Order No. 12160 issued by the President on September 26, 1979, entitled "Providing for Enhancement and Coordination of Federal Consumer Program", provides that the Secretary establish a Consumer Affairs Office which would report directly to him. On December 10, 1979, the Department published in the Federal Register a draft report on the establishment of the USDA Office of Consumer Affairs. Public comments are due by March 10, 1980. The Department provided advance notice of this proposal to the Appropriations Committees on December 4, 1979. The Office would have general oversight of the Department's consumer outreach and involvement actions and procedures including establishing Departmentwide general policy and philosophy on involving consumers in decisions and programs.

Nature of Change - This budget request is intended to provide permanent funding for three positions for the Consumer Affairs Office, to enable the Secretary to carry out the responsibility under Executive Order 12160. This Office will provide leadership and coordination to ensure that the Department's consumer programs are implemented effectively; ensure interagency cooperation, and eliminate duplication and inconsistency among agency consumer programs. This Office would have an unprecedented opportunity to build into the structures and process of government the enhanced responsiveness to the needs and interests of consumers.

(d) An increase of $64,000 for policy-level direction and coordination of human nutrition activities.

Need for Change - The Food and Agriculture Act of 1977 provides that "The Secretary shall develop and implement a national food and human nutrition research and education program." This is in response to the increasing concern about the food we eat, what it costs and what its effects are on human health, performance and behavior. The development and implementation of nutrition policies and activities must be effectively coordinated both within the Department of Agriculture and among other department's within the government.

Nature of Change - This budget request is to provide permanent funding for the Human Nutrition Coordinator and related clerical support. The Coordinator is the principle assistant in the Office of the Secretary for achieving coordination of human nutrition activities within the Department, with other Federal agencies, private institutions, professional societies, and international organizations. This position has responsibilities regarding the direct and indirect nutrition aspects of all USDA programs including those affecting agricultural production and marketing, rural development, natural resources and food and nutrition. The Coordinator works in concert with the Assistant Secretary for Food and Consumer Services, the Assistant Secretary for Conservation, Research and Education and the Director of Science and Education Administration. Primary duties include:

-- Advise the Secretary and others on all matters pertaining to human nutrition.

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-- Serve as policy coordinator for USDA

-- Participate in program planning, implementation and evaluation to assure coordination of effort.

-- Serve as Executive Secretary of the Department's Human Nutrition Policy Committees and Human Nutrition Advisory Committee.

-- Provide continuing leadership in the development of highly technical knowledge required when responding to Congressional inquiries or preparing for hearings on human nutrition matters.

Funds for this position were requested in the FY 1980 Budget along with other increases. The Congress appropriated about half of the total increase requested for the Office of the Secretary to make up for this shortfall, this position will be funded in FY 1980 within available funds, utilizing salary lapses and other savings. For FY 1981, however, these savings will not be available and therefore the additional funds are being requested.

STATUS OF PROGRAM

PROGRAM POLICY DIRECTION

The formulation and direction of policy and programs is carried out by the Secretary of Agriculture, Deputy Secretary, Assistant Secretaries, staff advisors, and related supporting staff. Under the direction of the Secretary, the Immediate Office of the Secretary exercises broad executive responsibility for the development of national agricultural policies and the general management of the Department of Agriculture within the framework of laws enacted by the Congress and regulations promulgated by the President. It coordinates the activities of the Department's constituent agencies into a unified agricultural program, designed to achieve, efficiently and economically, the goals for American agriculture established by the Congress and the President. The Department's programs, in turn, are coordinated with the activities of other Government departments and agencies both in domestic and foreign affairs, to ensure consistency in policies and methods in governmental administration.

In fulfilling these responsibilities, the Immediate Office of the Secretary provides general leadership and direction to the Department's constituent agencies. Agricultural policies and plans are formulated and adapted to the complex changing conditions in the Nation's economy. The progress of agricultural programs is continuously evaluated to ensure that accomplishments are consistent with the Department's prescribed objectives and with established standards of sound management. Program and management problems with special significance and broad implications are given careful attention to assure their constructive resolution in a manner consistent with overall policy.

Office of Energy

The Office of Energy provides direction, coordination and leadership of the energy programs in the Department. This includes:

-- Developing USDA energy and energy-related policies and strategies;

-- Reviewing and evaluating USDA energy and energy-related programs and progress; and

-- Advising the Secretary and other policy-level officials of the Department on energy policies and programs.

Some of the major activities during FY 1979 include:

-- A comprehensive USDA energy management plan has been developed, and is currently being updated in quantitative form, to meet requirements of National energy policy and internal USDA policies as they relate to National energy policy. The USDA energy management plan serves as the primary basis for the coordination of energy-related activities within the Department; the Office of Energy assists the Secretary in coordinating such energy activities.

-- The Office of Energy has worked with DOE on problems which affect the supply of petroleum products to

agriculture. In response to the tight diesel and gasoline supply situation during 1979, the USDA developed a fuel monitoring mechanism composed of reports from sub-state reporting districts on the availability of diesel, gasoline, and Liquid Petroleum gas and collaborated with DOE on the implementation of allocation regulations and informal management procedures to handle particular fuel supply problems in agriculture. The Office of Energy served as the primary focus in USDA for these activities.

-- Based upon the staff work of the Office of Energy, the Secretary of Agriculture issued a Final Rule, effective May 14, 1979, which certifies essential agricultural uses and volumetric requirements to be protected from curtailment of interstate natural gas supplies, pursuant to Sec. 401(b), Natural Gas Policy Act. Uses include food and natural fiber production and processing, irrigation, crop drying, agricultural chemicals and fertilizer, animal feed, and food quality maintenance.

-- The Office of Energy has been delegated the responsibility by the Commodity Credit Corporation to carry out Section 1420 of the Food and Agriculture Act of 1977, which directed the Secretary of Agriculture to guarantee loans of up to $15 million for each of four pilot projects to convert agricultural and forestry products into industrial alcohols and hydro-carbons. Tentative approval has been given to the following four pilot projects: Enerco, Inc., Langhorne, Pennsylvania; Biomass/SuChem Corporation, Savannah, Georgia; Guaranty Fuels, Inc., Independence, Kansas; and Midwest Solvents, Inc., Atchison, Kansas.

-- The Office of Energy prepared an alcohol fuels policy analysis for the Secretary of Agriculture. This work was done with the cooperative support of all relevant USDA offices having expertise appropriate to the issues being considered. The purpose of this study was to synthesize the available literature on the economics of grain-to-gasohol program options and to evaluate the results within the context of overall agricultural policy.

-- The Office is presently studying the potential of small-scale, primarily on-farm alcohol production systems, in particular those utilizing farm products and wastes for production of fuel alcohol. This study will develop a techincal and economic information base for the formulation of Government action programs designed to encourage and support introduction of small-scale alcohol production.

-- Plans are being finalized by the USDA Office of Energy and the Department of Energy for a USDA management role in portions of DOE's biomass program.

REGULATORY HEARINGS AND DECISIONS

The Office of Administrative Law Judges consists of five judges who, pursuant to designation of authority, conduct rulemaking and adjudicatory hearings throughout the United States in proceedings subject to the Administrative Procedure Act (7 U.S.C. 551 et seq.). The Judges issue initial decisions of the Secretary unless appealed to the Secretary's Judicial Officer by a party to the proceeding. In addition, the Judges perform related duties which are not inconsistent with their duties under the Administrative Procedure Act.

The attached table indicates the number of hearings held by Administrative Law Judges during the past three fiscal years, and the number of adjudicatory case dispositions, consisting of initial decisions after hearings, initial decisions upon default, and final consent orders following hearings or upon waiver of hearing.

	FY 1977		FY 1978		FY 1979	
	Hearings	Dispositions	Hearings	Dispositions	Hearings	Dispositions
AGRICULTURAL MARKETING AGREEMENT ACT, 1937						
Adversary	7	7	11	23	--	9
Rulemaking	21	--	16	--	18	--
PACKERS & STOCKYARDS ACT	25	168	20	127	14	103
PERISHABLE AGRICULTURAL COMMODITIES ACT	9	29	8	33	7	35
COMMODITY EXCHANGE ACT	1	1	--	--	--	--
ANIMAL QUARANTINE & RELATED LAWS (Veterinary Accreditation)	--	--	2	3	1	6
ANIMAL WELFARE ACT ..	1	17	3	19	3	24
HORSE PROTECTION ACT	2	22	4	18	8	31
GRAIN STANDARDS ACT	--	4	--	--	--	1
FEDERAL MEAT INSPECTION ACT	1	22	1	11	6	6
AGRICULTURAL MARKETING AGREEMENT ACT, 1946 (I&G)	7	26	3	6	--	7
BEEF RESEARCH & INFORMATION ACT (Rulemaking)	3	--	--	--	5	--
WHEAT/WHEAT FOODS & NUTRITION EDUCATION ACT (Rulemaking) ...	--	--	--	--	3	--

	FY 1977		FY 1978		FY 1979	
	Hear-ings	Dispo-sitions	Hear-ings	Dispo-sitions	Hear-ings	Dispo-sitions
MISCELLANEOUS	--	1	--	--	--	--
TOTALS	77	297	68	240	65	222

The Office of the Hearing Clerk was transferred from the Judicial Officer to the Office of Administrative Law Judges on August 16, 1976. The Hearing Clerk, like a Clerk of a Court, receives, files and serves pleadings, briefs and decisions; maintains the official records (including the transcripts of adjudicatory and rulemaking hearings), which are the bases for Administrative Law Judges' decisions; and, in the event of an appeal, certifies such records to the Court of Appeals or District Court for subsequent review.

The Judicial Officer serves as final deciding officer, in place of the Secretary, in regulatory proceedings of a quasi-judicial nature where the applicable statute requires a hearing. These include cases in which an Administrative Law Judge files an Initial Decision and also reparation proceedings under the Perishable Agricultural Commodities Act and the Packers and Stockyards Act which are not subject to the Administrative Law Judge provisions of the Administrative Procedure Act. An appeal to the Judicial Officer from an Administrative Law Judge's Initial Decision may be filed by any party to the proceeding. Oral argument before the Judicial Officer is discretionary.

The Judicial Officer acts directly without reference to an Administrative Law Judge upon applications for interim relief by petitioning handlers under Section 8c(15)(A) of the Agricultural Marketing Agreement Act. The Judicial Officer also rules directly upon matters arising in proceedings that are certified by the Administrative Law Judges without recommendation.

The following examples illustrate the types of cases decided by the Judicial Officer during the last year:

Agricultural Marketing Act of 1946. In In re National Meat Packers, Inc., C&M Meat Packing Corp., and Charles D. Olsen, I&G Doc. No. 60, the Judicial Officer withdrew meat grading practices from Mr. Olsen for 10 years for his bribery of federal meat graders.

Agricultural Marketing Agreement Act of 1937. In In re Oak Tree Farm Dairy, AMA Doc. No. M 2-36, the Judicial Officer upheld the validity of the provisions of the New York-New Jersey milk order classifying shrinkage in Class I, the highest use class. He held that the statute authorizes such classification provisions and that the evidence and findings adequately support the provisions.

Packers and Stockyards Act, 1921. In In re Apex Meat Co., Inc., P&S Doc. 5575-79, the Judicial Officer held that civil penalties cannot be assessed against a meat packer for violations of the Act which occurred before the enactment of the amendment authorizing civil penalties.

PASSENGER MOTOR VEHICLES

The Budget Estimates for 1981 continue the authority to replace, if necessary, one automobile used by the Secretary and his staff.

As of December 1, 1979, only one Department owned automobile was operated in the District of Columbia (1971 Ford Custom 500). Three vehicles are rented on an annual basis for use by the Secretary of Agriculture, the Deputy Secretary, Assistant Secretaries, and other officials of the Department.

DEPARTMENTAL ADMINISTRATION

WEDNESDAY, MARCH 5, 1980.

WITNESSES

JOAN S. WALLACE, ASSISTANT SECRETARY FOR ADMINISTRATION
HOWARD W. HJORT, DIRECTOR, ECONOMICS, POLICY ANALYSIS AND BUDGET
JEANNE M. STANEK, HEAD, BUDGET SERVICES UNIT OFFICE OF OPERATIONS AND FINANCE
STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. WHITTEN. Without objection, your entire statements will be placed in the record at this point.

[Statements of Assistant Secretary Wallace and Mr. Hjort, Director of Economics, Policy Analysis and Budget, appear on pages 461 through 474.]

Mr. WHITTEN. I do not know that I need to belabor the point. I mentioned earlier that we had a series of meetings. I do not know whether this is the budget we will be dealing with, or whether we will be getting a new one.

We will be glad to hear from you at this time, Dr. Wallace.

Dr. WALLACE. I will begin with Departmental Administration and then Mr. Hjort will speak for his area.

I will be talking today about Departmental Administration which provides funding for all the staff offices, but I will only be speaking about those under my jurisdiction—Operations and Finance, Personnel, Equal Opportunity, Safety and Health Management, Management Staff, and the newly created Office of Small and Disadvantaged Business Utilization which exists because of new legislation, Public Law 95–507.

OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION

Mr. WHITTEN. Let me ask you about this new law. When a law passes as reported by the authorizing committee, do you immediately change the money for this, that, and the other? I repeatedly refer to Section 628 of title 31, U.S.C., which requires expenditures to be in accord with action by the Congress on the appropriation bill. I am gaining the impression from preceding witnesses that the Department during the last few years has taken the view that anything not prohibited is thereby authorized. That is completely opposite of my understanding of the law. In many instances, that seems to have been the attitude of the people in charge: when the legislative committee authorizes, unless it is prohibited, they just proceed to shift the money over and use it. That is the record up to this point.

Has your Department done that?

Dr. WALLACE. No, Mr. Chairman. When this legislation came into being, we were in contact with the committee about moving funds that were already in the Office of Equal Opportunity for minority business. We moved those funds and that personnel out of that office to establish this one. In addition, we moved a procurement specialist from the Office of Operations and Finance. The law requires that we be concerned about giving contracts to small businesses and disadvantaged businesses. In order to do that, we had to develop an information system in our procurement area so that we are able to know what kinds of contracts we give and to whom we give them.

The law also requires that any contracts over $500,000 have a subcontract clause. We are to seek out small and disadvantaged businesses to be subcontractors. We have been directed by law to set up this office. It is a very, very meager office at the moment, composed of seven people. They will do more of a coordinating and training job. They have to train over 400 procurement officials because, as you know, we are very decentralized, and we have procurement out in the field where we need it.

But we did need to help those in the field know where they can find these small businesses, and how to look for them. So, we have developed our own information system, utilizing the system in the SBA. We have not done anything without asking or informing the committee.

FY 1981 BUDGET REQUEST

I would like to mention that right now the Departmental Administration budget is $23,760,633 for 1981. This is an increase of $3,195,453 above the 1980 estimate. Of that amount, the Office of Governmental and Public Affairs, which Mr. Webster will speak to, at a different time, has requested $1,686,291.

Additionally, there is a request for $356,000 for the Office of Budget, Planning and Evaluation, and $200,000 for the Capper Volstead Monitoring Staff. This leaves an increase of $953,000 for my programs and within that amount only $671,162 is for program increases. The remaining $282,000 is for anticipated increases in operating expenses.

CURRENT INITIATIVES

Before I turn to the specifics of that budget, I would like to talk a little bit about the challenges that we face this year in Departmental Administration.

We have been required to increase services and our services, as you know, are the administrative services of the Department. We are the service organization to the agencies so they can fulfill their missions to the producers and to the clients.

We have found that not only do we have to deal with ourselves, internally, but we have had a number of things happen, including the Small Business Act amendment, which I mentioned earlier; the Civil Service Reform Act; the Ethics in Government Act; the acts prohibiting discrimination to the handicapped and the aged. These new laws have all had a profound impact on our workload. They have in some instances required the realignment of our resources, such as funding and staffing the new office of Small and Disadvantaged Business Utilization.

Further, the increased number of directives issued by the central agencies—such as the Office of Management and Budget, the General Services Administration, the Equal Opportunity Commission, the Employment Labor Department, the Office of Personnel Management, the Treasury Department—have all impacted our workload.

We feel that we have essentially been meeting the challenge. We have moved very swiftly to implement the Civil Service Reform Act, and have developed a performance appraisal system, candidate development program, and we are now in the process of establishing merit pay systems and appraisal systems.

I also chair a Civil Service Reform Steering Committee, which is composed of a number of agency heads who advise me on how we should develop the systems to implement the Civil Service Reform Act.

CASH MANAGEMENT

The Office of Operations and Finance has been very much involved in a cash management project which we started last year and I reported a savings of $17 million. We are expecting a savings of $30 million this year and in subsequent years.

We are working with a number of agencies. One example is the Farmers Home Administration to set up 600 county locations where the farmer can go to the bank and make his payments rather than having to mail it somewhere else. That amount of time saves the government approximately $100,000.

CENTRAL ACCOUNTING SYSTEM

We have been moving to put the Food and Nutrition Service, the Food Safety and Quality Service and the Forest Service on our central accounting system. Incorporating these agencies into that system will be a major step in our effort to have a cost-effective system. We are saving a good deal of money in doing that, because our cost for processing per documents has changed from $3.71 per document in 1975 to $1.87 in 1979. The level of productivity was even mentioned in a GAO report recently. It states that USDA is doing very well in the area of productivity improvement and management at the National Finance Center.

COLOCATION

I talked to you last year about our policy of colocation and the fact that we had gone out to almost all of the counties to find out how people felt about our putting county offices in the same location so the consumer, the farmer, the producer, could come to one place and could be served.

What we are finding is that we are about 87 percent co-located, at least in terms of partial co-locations. Full co-location is about 61 percent. We project about 70 more co-locations this year. People seem to like it. We heeded your warning that we should let the local districts and counties decide whether co-location was a viable plan rather than our deciding it here in Washington. We have set up a national committee—the five agency heads and myself. We get feedback from the counties regarding the pros and cons of co-location and what the problems are with it.

EQUAL OPPORTUNITY

We implemented an equal opportunity planning and evaluation system because we really did not know what our problems were, and the Secretary was concerned that we were at the bottom of the barrel when it came to employment of minorities and women. We did not even know the full extent of the problem. Now we know where our problems are and we also have found that, for instance, women accounted for 24.8 percent of our work force in 1977 and 26.8 percent in 1979.

Our minority permanent full-time employees have moved from 10.3 percent in 1977 to 11.4 percent in 1979.

DEBT MANAGEMENT

I also want to mention that we have been very much in the forefront in responding to the President's financial priority program which is concerned with debt collection. I prefer to call it debt management. The phrase "debt collection" almost implies that everybody is behind, and we know that is not true. We needed to find and look at how we manage this in USDA.

We are taking a very positive look at debt collection in USDA and we are working with the Treasury as well as OMB on the project.

OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION

The new small office of Small and Disadvantaged Business Utilization we formed within existing resources that you had given us in prior years. The new legislation is going to require us to do a large amount of training. We are trying to begin. We have learned that we cannot have a large office, but we feel we can do the training if we can contract out for it. Therefore, we are requesting an additional $106,000 for training, reviews, and evaluation of agency policies, and to look within the various agencies for barriers that keep us from using small businesses.

CIVIL SERVICE REFORM

Regarding civil service reform, we are requesting $292,366 to ensure proper implementation of the Act and its requirements. In addition the Office of Personnel Management has delegated to us additional authority for staffing and classification. We no longer have to go through registers.

We told the Office of Personnel Management that we will take this additional responsibility because it is so much easier to staff adequately if you are in control of the registers. However, by doing that, we have increased our decentralization, and as you know, this requires that USDA has the burden of the work. So, in line with that, not only are we going to operate those registers, but as we give responsibility out to the agencies, we have to be sure that they are able to manage the new functions. Therefore, we must perform personnel management evaluations. Those are reviews to be sure that the agencies are properly using their new authority.

So that is what we will be using the additional funds for. We did use our money, very frugally, this year to implement the Civil Service Reform Act. We had no new money last year.

I think we have done a very good job in moving to establish Executive Resource Boards, to establish the Senior Executive Service, and to establish the Performance Appraisal System.

CIVIL RIGHTS INVESTIGATIONS

In the area of civil rights investigations, we are requesting $140,000. This is a very interesting situation because we have 40 programs, and nearly 100,000 recipients who are covered by Title VI of the Civil Rights Act. In addition, newly mandated areas of discrimination involving sex, handicap and age are greatly increasing the requirements placed on the investigatory staff. The number of complaints to be processed for 1980 is 375. For 1981 we project about 400. Within the current available resources, we would only be able to investigate 120 complaints. The request, then, will enable us to complete the 120 in-house investigations and contract out 90 investigations. We would then have a backlog of 190 requests.

REGULATIONS FOR REIMBURSEMENT OF PARTICIPANTS

Mr. WHITTEN. Last year, the Committee stated on page 30 of the House Report which said, with regard to Public Participation, "that the Department will be expected to exercise caution in implementing the regulations and should proceed in only the most prudent and responsible manner. The Committee fully intends to monitor and survey both the implementation and impact of the regulations during the coming year." What have you done to comply with the caution that the Committee extended?

Mr. HJORT. In developing the regulations governing reimbursement of participants, the Department took care to provide substantial safeguards against abuse.

The regulations require that applications for funding provide the following information: a description of the issues the applicant plans to address, how they affect the applicant's interest in the proceeding, and why this presentation is substantive, novel or significant, and would contribute to a full and fair determination of the issues involved in the proceeding. An itemized statement of the funds requested must be submitted, describing the services and expenses to be covered. The applicant must give substantial information on financial status, including a listing of annual gross income for the current and prior year, assets and liabilities, and an explanation as to why the applicants cannot use any assets it may have in excess of liabilities. Groups, associations, partnerships, or corporations applying for funding should submit a current budget and a statement of revenues and expenses for the last three years. Finally, all applicants are asked to provide a list of all proceedings in which they had received reimbursement for participation during the past year and the amount of assistance received from Federal agencies.

Further, in evaluating applications, agencies and the Evaluation Board may consider whether a sham organization has been set up for reimbursement purposes.

No reimbursement will be allowed for work performed or costs incurred prior to approval of an application, including preparation of the application. Payment may be denied if the applicant clearly has not provided the representation for which the application was approved.

In reviewing comment and preparing final regulations, the Department chose to move cautiously in several respects. A number of comments urged the Department to make the regulations applicable to decisions other than rulemaking; suggested that the application process be liberalized by less rigorous financial disclosure, that certain groups automatically qualify, and a broadened definition of reimbursable costs be applied. These suggestions were rejected because of the need for careful administration of such funds.

The regulations were also revised to make clear that while the Agency head has discretion to determine the availability of funds for this purpose, the final decision to reimburse a qualified applicant rests with an independent, Department-level Evaluation Board. No employee of the Agency concerned in the specific action may serve on this Board.

Finally, the Department Public Participation Staff consulted with the Office of the Inspector General to assure that the regulations and internal procedures offered sufficient safeguards. The Inspector General has offered future assistance, and it is expected that a representative of OIG as well as the General Counsel will participate informally in the deliberations of the Evaluation Board. The regulations provide that representatives of the Secretary and Comptroller General shall have access to the books and records of a participant receiving reimbursement. Such documents are required to be kept for 3 years after receipt of reimbursement.

[A copy of the regulations follows:]

federal register

Thursday
January 24, 1980

Part V

Department of Agriculture

Office of the Secretary

Reimbursement of Participants in Rulemaking Proceedings

DEPARTMENT OF AGRICULTURE

Office of the Secretary

7 CFR Part 12

Reimbursement of Participants in Rulemaking Proceedings

AGENCY: Department of Agriculture.

ACTION: Final Rule.

SUMMARY: These regulations govern the reimbursement of individuals and groups for certain of the costs of participation in rulemaking proceedings of the Department. They provide for reimbursement of applicants, within budget constraints, when the applicants' participation can reasonably be expected to contribute substantially to a full and fair determination of the issues covered at public proceedings; they are otherwise financially unable to appear; they are from the area affected; and the interest they seek to represent is not otherwise adequately represented.

EFFECTIVE DATE: February 25, 1980.

FOR FURTHER INFORMATION CONTACT: Dr. Linley Juers, Acting Associate Director of Public Participation and Decision System, Office of Budget, Planning and Evaluation, Room 118–A, United States Department of Agriculture, Washington, D.C. 20250, Phone (202) 447–6667.

SUPPLEMENTARY INFORMATION: The Department published proposed regulations governing the reimbursement of participants in USDA rulemaking proceedings on March 22, 1979 (44 FR 17507), requesting public comment and scheduling hearings to take oral testimony. The proposed regulations were issued in response to a directive by the conferees on Agricultural appropriations for fiscal year 1979 which indicated that such reimbursement of participants in USDA rulemaking proceedings be done only under regulations which comply with the Comptroller General's rulings on this matter.

One hundred written comments were received and 39 witnesses presented oral testimony at public hearings held in Denver, Colorado, Emeryville, California, and Washington, D.C. The comments and testimony have been thoroughly reviewed and considered in the preparation of this final rule. The discussion below reviews the comments received as they apply to particular aspects of these regulations and explains changes made in response to the comments and testimony.

Legal Authority for the Program

Several comments stated that there was no explicit or implicit authority in law for this program and that, therefore, regulations should not be issued. Some argued that the Department has misinterpreted *Greene County Planning Board* v. *Federal Power Commission*, 559 F. 2d 1237 (2nd cir. 1977), *cert. den.* 434 U.S. 1086 (1978) and attempted to distinguish the application of *Chamber of Commerce of the United States, et al.* v. *United States Department of Agriculture, et al.*, 459 F. Supp. 216 (D.D.C. 1978). We have responded to these comments by reexamining the authorities involved in detail and are satisfied that the conclusion reached in the discussion of authority presented with the proposed regulations is correct.

Need for the Program

A number of comments were received regarding the need or advisability of establishing a program under which participants would be reimbursed in connection with rulemaking proceedings. Those opposing the regulations argued that existing mechanisms for public involvement in the rulemaking process are adequate. Some argued that existing interest groups already represent the broad range of public interests affected by USDA actions. It was contended that the degree of public support for a viewpoint could be measured by the amount of money and resources that an organization could raise to make an appearance. Consequently, there would be no need for reimbursement.

Other comments contended that reimbursement would create additional burdens and delays in the administrative process and would add to the cost of regulations, diverting funds from other programs.

Some comments supporting the regulations argued that they are necessary because existing means for obtaining public input are not adequate and are biased in favor of better financed and business-related special interest groups. Many comments noted that consumers and the poor historically have not been able to involve themselves effectively. It was also commented that there are numerous proceedings before the Department entailing complex investigation, analysis and development of a factual record by participants. These factors conspire against the limited resources of individual citizens and grass roots organizations and for the most part preclude their making a substantive input. Studies were cited indicating the extent to which industry participants outnumbered public representatives and the limited representation of consumer interests in particular USDA proceedings. Participants often need Lawyers and other experts to advocate a viewpoint effectively in view of the growing need to have substantial analytic support for regulatory decisions.

Two important considerations lead us to issue these regulations. First, in the absence of regulations allowing reimbursement, there is evidence that certain groups in the public are disadvantaged in having their views adequately represented in certain proceedings of the Department due to lack of resources. Second, the issuance of regulations will not necessarily commit agencies to any greater program costs. Reimbursement would be used only where needed to obtain information and views which the Department needs to carry out its responsibilities. The use of reimbursement would be discretionary and in each case the use would be based on an analysis showing that reimbursement will help achieve program goals and be more cost effective than alternative means of obtaining the same information and views. The absence of these regulations would, on the other hand, foreclose the use of reimbursement when a potential for cost saving or improved decisions existed.

Another category of comments by both opponents and proponents of the regulations cited potential abuses under a reimbursement program. These concerns included agency favoritism of certain views, use of government funds where private resources could be used, and use of the program by an agency to develop new advocates for its programs.

The Department is cognizant of various types of abuse to be avoided and has included in the regulations stringent requirements for independent review of all agency reimbursement actions and a specific provision for avoiding financing applicants who may have contrived an appearance of eligibility through sham organizations.

Comments on Proposed § 12.1 *Purpose of Regulations:* Some comments were received suggesting we clarify the purpose of these regulations in the body of the regulation itself. The thrust of these comments was to clarify that the purpose of providing reimbursement to participants is to enable those who might not otherwise be able to appear to make "substantial" and "effective" contributions to rulemaking proceedings. Other comments questioned whether reimbursement would place greater emphasis on oral appearances than

written comment. Many comments focused on the word "appear" contained in the proposed regulation and objected to using reimbursement as a means of enabling people to attend proceedings and present views which "could be sent in with a 15¢ stamp."

The Department agrees with these comments. Accordingly, section 12.1 has been changed to make clear that to receive reimbursement participants must be able to "contribute substantially and effectively"; and the word "appear" has been changed to "participate". Furthermore, these regulations do not replace already existing travel regulations which might permit reimbursement of private individuals for travel to meetings "for the benefit of the government". It is also not intended to finance participation which would only add to the record views or information obtainable from other existing sources and which could be submitted for the record without further study or organization of data.

Under these regulations, applications for reimbursement would be evaluated on the basis of whether a substantial contribution is being offered and whether an applicant can make that contribution effectively. Participation would not be limited to appearances at hearings; an applicant could also be reimbursed for costs related to the preparation of a written comment.

Comments on Proposed § 12.2 *Definitions:* Comments on the definition of "applicant" in paragraph (c) suggested that profit-making organizations should be precluded from applying for reimbursement. The Department believes that the regulations provide for sufficient tests of need, and that small business or farming concerns may make profits but still have insufficient resources to represent themselves effectively in an administrative proceeding.

Some comments objected to exclusion of government agencies which may also have limited resources. Recognizing this, the Department believes that the views of these agencies are nevertheless reasonably likely to be represented through existing channels, and that inclusion of such agencies would create substantial administrative problems, particularly in regard to judgments as to lack of resources.

Comments on the definition of "Evaluation Board or Board" in paragraph (f) focused on various ways to maintain independence in the approval of applications and to avoid conflicts of interest or recruitment of participants supporting an Agency viewpoint. To assure independent review the section is amended to provide that no member of the Board shall be from the agency responsible for a given proceeding.

Many issues were raised with respect to the application of the definition of "locality to be affected" in paragraph (g) of § 12.2, particularly in regard to decisions involving natural resources, wilderness areas, and the scope of the impact of an action as opposed to its immediate physical location. Other comments raised questions about the role of organizations which may represent members or contributors or do business in an area but are headquartered elsewhere.

The Department recognizes that certain actions pose unique questions and believes that the best way to administer the requirement that an applicant be from the locality to be affected is to allow the Agency Head to define "locality to be affected" in the notice of proposed rulemaking.

Comments on the definition of "proceeding" in paragraph (h) of § 12.2 were generally critical of limiting coverage to rulemaking. It was pointed out that many important decisions with significant policy implications are made in proceedings which are not technically rulemaking. The need to exercise caution in implementing a new program led us to conclude that this definition should be maintained. However, the Department will have the option of extending the regulation to other proceedings in the light of experience under the program.

A comment stated that the publication requirement in paragraph (h) of § 12.2 was overly restrictive and irrelevant and recommended deletion. It has been deleted.

The addition of various new definitions were suggested in several comments to allow for simplified consideration of certain types of applicants, such as low-income recipients of benefits of Federal programs, or representatives of such recipients. While no single definition of eligibility exists for all USDA programs, it may be possible for agencies to accommodate this idea in their application procedures for actions under particular programs.

Additional definitions were suggested which were tied to a reordering of the entire regulation to clarify the application process. As proposed, the regulations state the requirements for an application and then the standards by which they will be evaluated. We believe this is a logical ordering.

Comments on Other Sections: In response to a comment suggesting that organizational affiliation be identified in case there is a parent group with sufficient resources, paragraph (d)(1) of § 12.4 has been changed to add that requirement for organizations.

Paragraph (d)(3) of § 12.4 in the proposed regulation has been eliminated as an unnecessary reporting burden inasmuch as the essential information is required in the following paragraphs.

Comments on paragraph (d)(4) of § 12.4 [now renumbered (d)(3)] in the proposed regulations, ranged from the opinion that the requirements were excessively burdensome to suggestions for requiring substantial additional information about the structure and purpose of the organization applying and the justification of the need for reimbursement. The paragraph has been amended to add the requirement that the applicant describe which issues to be addressed are "substantive." The remaining comments related more to the quality of applications submitted and methods of reviewing applications than to the regulation itself. Paragraph (d)(3) currently requires information in regard to the specific factors referred to in the Comptroller General's rulings on reimbursement. To go beyond these factors and require, for example, information on officer selection and voting procedures for members could be overly restrictive. While this additional information would not be appropriate to require in every case, an applicant would not be precluded from offering such information to strengthen its demonstration of interest or capability.

Many comments on paragraph (d)(6) [now renumbered (d)(5)] of § 12.4 objected to the complexity of the financial disclosure requirements and suggested various means of simplifying them. Among the comments were: "the requirements are an invasion of privacy"; they "could be met by a simple declaration of need"; they should "clarify that a person need not be destitute" or "that funds need not be diverted from other commitments of the applicant in order to qualify."

The Comptroller General has specified that reimbursement should be made only where there is a finding that the applicant lacks sufficient resources available to participate. The House Appropriations Committee additionally has stressed stringency and caution in implementing this program. We believe that the financial information required here represents the minimum information necessary to comply with those instructions.

The Comptroller General's rulings are not specific as to the exact test to be applied in each instance, nor do they imply that the sacrifice or curtailment of other activities is necessary. It is not possible to set forth a simple standard

which would be universally applicable; therefore, each application must be judged on its merits.

Paragraph (d)(6)(iii) of § 12.4 [now renumbered (d)(5)(C)] of the proposed regulations has been amended in response to a suggestion to waive the requirement of submitting financial records for the last three prior fiscal years where for good reason they may not exist.

A number of comments stated that paragraph (d)(7) of § 12.4 [now renumbered (d)(6)] represented an excessive and burdensome reporting requirement. This provision has been modified by limiting it to those proceedings for which applicants were previously reimbursed.

Several comments on paragraph (b) of § 12.5 urged that applications be reviewed as quickly as possible to avoid financial hardship and to avoid delays in the rulemaking process. The regulation as proposed directed the agencies to process applications as soon as practicable. Further, paragraph (j) of § 12.5 in the proposed regulations [now renumbered (g)] allows the Agency Head to extend any filing period and postpone hearings and directs the Agency Head in making such a decision to balance an applicant's need for time against the need for a speedy resolution of the proceeding. We believe it sufficient protection for an Agency Head to determine when the reimbursement process can be constructively used in a given rulemaking proceeding. This determination is complementary to the discretion granted to the Agency Head in paragraph (b) of § 12.4 to determine that reimbursed participation will provide a substantive contribution to the Agency's decisionmaking process. In light of the discretion granted to an Agency Head, we believe that the suggestion in a comment that a grandfather clause be added to preclude reimbursement in proceedings substantially underway is neither necessary nor desirable.

Additional comments were directed to the role of the Evaluation Board as described in paragraph (c) of § 12.5, toward making the role of the Board more specific. In response to these comments, the language in that paragraph has been amended to make it clear that the Board be presented with the docket of all applications received, and changes the Agency Head's role to that of presenting the Board with his analysis of the application. Provision is made in paragraph (f) of § 12.5 for reconsideration of the Evaluation Board's decision.

One comment proposed that the Department be compelled to approve an application if the eligibility requirements are met. We believe that this recommendation, which implies a right to reimbursement, is inconsistent with the Comptroller General's rulings.

Three comments were received relating to how the Department would decide among competing qualified applications. These suggestions, if adopted, would seem to limit the implied authority of the Department as described by the Comptroller General to determine whether reimbursed participation is appropriate, and to determine parties eligible for such reimbursement. We believe that it is impossible to prescribe in advance criteria which would be useful in all instances in resolving such questions.

A comment suggested that the Department should authorize funding of certain groups for particular aspects of an issue; this would encourage groups representing similar interests to pool their resources when possible and avoid duplication. The regulations do not specifically provide for this, but would not preclude such pooling of resources if properly described in the application.

Paragraph (d) of § 12.5 as presented in the notice of proposed rulemaking has been deleted as repetitive of agency discretion as to availability of funding.

Paragraph (e) of § 12.5 [now renumbered (d)] has been reordered to clarify the tests of need, residence, interest not otherwise adequately represented, and substantiality of contribution. With respect to substantiality, paragraphs (C) and (E) of § 12.5(e)(1) [now renumbered 12.5(d)(3)] have been eliminated. The test in this paragraph must clearly be the quality and substance of the contribution to the proceeding, not such outside considerations as the desirability of new participants or an implied numerical balancing of interests on the record as a whole.

Comments received on paragraph (e)(2)(ii) of § 12.5 [now renumbered (d)(1)(A)] of the proposed regulations requested clarification on the need to indicate the use of applicant's funds. The purpose of the provision is not to imply or require that applicant's own funds be used, but rather to give a fuller description of the total effort the applicant is proposing to make.

One comment on paragraph (e)(3) of § 12.5 [now renumbered (d)(2)] objected that the criteria concerning representation did not specifically refer to the Department. We believe that the language, "not otherwise adequately represented" is sufficient.

Another comment suggested that a comparison of the economic stake of the interest involved with the costs of participation be included as a factor in determining whether an applicant is qualified. We believe that this consideration may have some qualitative importance with respect to particular actions, and can be taken into account within the context of the revised language of the proposed section.

Paragraph (e)(1)(ii) of § 12.5 [now renumbered (d)(3)(B)] provides for a broader description of how an applicant's interest may be affected. It must be understood, however, that this is only a factor which may bear on the selection of a qualified applicant but is not a legal standard on which qualification will be based.

One comment suggested that all awards should be published in the **Federal Register**, and public comment allowed. The Department disagrees. This suggestion runs counter to the many comments expressing concern about added procedural steps and delays.

Two comments were received on paragraph (g) of § 12.5 [now renumbered (f)] in the proposed regulations, one recommending a right of appeal with a hearing before the Board, and a second raising the question of whether paragraph 12.5(f) applies to any appeal to the Evaluation Board. The Department believes that a complex appeals' process going beyond paragraph 12.5(f) would cause undue delays in implementing programs.

Some comment stated that objectivity requires full disclosure of all contacts between the agency and applicants during the pre-application and post-application periods as well as during the application process itself. To require a record of "all" contacts would be excessively burdensome because it could entail a record of contacts having no relation to a party becoming an applicant; moreover, an agency would have no way of knowing whether a party were planning to become an applicant. Protections of the objectivity of the approval procedure lie in the requirement of filing in the docket the records of all written and oral communications that bear on the selection and review process and the further requirement that all dockets will be maintained for public inspection.

Comments on paragraph (j) of § 12.5 [now renumbered (g)] in the proposed regulations urged revisions to require adequate notice of schedule changes and that the term "applicant" used here be changed to "participant" to assure that all parties are treated equally. Those changes have been adopted.

A wide range of comment was received concerning which costs could

or should be reimbursed as set forth in § 12.6. Those who felt that the expenses covered should be narrowed recommended limitations on experts, attorneys, and staff salaries, and urged that the least expensive travel and subsistence costs be covered. Other comments urged that the range of reimbursable expenses be broadened to cover such items as child care, lost wages, and payment for services of volunteers.

The regulation has been written broadly to cover the range of expenses which might conceivably be incurred in preparing to participate in complex proceedings. Whether all such expenses would be allowable with respect to a particular proceeding must be judged on a case-by-case basis. The Comptroller General's ruling in dealing with this question states that ". . . where an appropriation is made for a particular object, purpose or program, it is available for expenses which are reasonably necessary and proper. . . ." (Opinion of the Comptroller General, *Costs of Intervention—Food and Drug Administration*, December 3, 1976, 56 Comp. Gen. 111). The decision quoted an earlier decision that held that the responsibility for determining whether the payment of expenses of intervenors may be considered "necessary expenses" rests with the administering agency. With respect to specific allowable rates, the Department will apply the standards common to the reimbursement of experts consulted by the Government.

Several comments raised questions with respect to reimbursability of certain costs—specifically, existing staff, fringe benefits, overhead, and costs incurred prior to approval.

We believe the only fair and equitable standard to apply is that stated in paragraph (a) of § 12.6: "Reimbursement is limited to the actual, and reasonable costs authorized and incurred by the applicant's participation." Expenses for existing staff or overhead expenses will be reimbursed (to the extent incurred as a result of the applicant's participation). Fringe benefits associated with the employment of persons working under an approved application would be included in the compensation paid the employee and itemized as a part of direct costs. Costs incurred prior to the approval of an application could not be construed as being "necessary expenses" within the discretion of the Department.

Comments received on § 12.7 expressed concern that it could be liable to abuse, for instance, the ease of obtaining additional funds might encourage an inadequate or inefficient performance. The section has, therefore, been revised to require valid reason for any supplementary reimbursement.

A number of comments on § 12.8 noted that to be eligible an applicant must lack resources, yet reimbursement is made only after work is completed. The Comptroller General refers only to reimbursement, suggesting payment for work completed. The regulations do provide, however, that "for good cause shown, partial payment may be made as an applicant's work progresses."

Several comments addressed the problem of presenting bills or receipts for all costs over $10 and requiring proof of cost. The language of paragraph (a) of § 12.8 has been modified in response to these comments substituting "itemized statement" for "other proof" but adding that a claim for reimbursement must be certified as correct.

Several comments were received with respect to paragraph (b) of § 12.8 which provides for a denial of payment if the applicant has "clearly" not provided the representation for which the reimbursement was intended. The concern expressed in many of the comments seems to imply that reimbursement might be jeopardized by even minor misunderstandings or misinterpretations. The inclusion of this provision is intended for use only when there has been clear misrepresentation of the applicant's purpose.

Several comments were received on § 12.9 regarding the retention of records for audit and the procedure for such audits. This section does not require that all records will be audited, but is designed to assure adequate recordkeeping. The retention of records is a protection for recipients of reimbursement in the event an audit should call their claim into question.

This final rule has been reviewed under the USDA criteria established to implement Executive Order 12044, "Improving Government Regulations," and has been classified "significant." An Approved Final Impact Statement is available from Dr. Linley E. Juers, U.S. Department of Agriculture, Room 118–A, 14th and Independence Avenue, SW., Washington, D.C. 20250.

(The reporting and/or recordkeeping requirements contained herein will be submitted for approval by the Office of Management and Budget in accordance with the Federal Reports Act of 1942)

Dated: January 18, 1980.

Bob Bergland,

Secretary of Agriculture.

Accordingly, a new Part 12 is added to Title 7, Code of Federal Regulations, to read as follows:

PART 12—REIMBURSEMENT OF PARTICIPANTS IN RULEMAKING PROCEEDINGS

Sec.

12.1 Purpose.
12.2 Definitions.
12.3 Scope and applicability.
12.4 Applications for reimbursement.
12.5 Processing of applications and criteria for reimbursement.
12.6 Reimbursable costs.
12.7 Supplementary reimbursement.
12.8 Payments to applicants.
12.9 Audits.
12.10 Availability of dockets.
12.11 Authority for the program.

Authority: 5 U.S.C. 301.

§ 12.1 Purpose.

This part sets forth the Department's regulations governing the reimbursement of individuals and groups for certain of the costs of participation in rulemaking proceedings of the Department. Applicants are eligible to be reimbursed, within budget constraints, when their participation can reasonably be expected to contribute substantially and effectively to a full and fair determination of the issues; they are otherwise financially unable to participate; they are from the area affected; and the interest they seek to represent is not otherwise adequately represented.

§ 12.2 Definitions.

As used in this part:

(a) "Agency" means each agency of the United States Department of Agriculture.

(b) "Agency Head" means the administrator or director of any Agency, and his or her delegate.

(c) "Applicant" means any person requesting compensation under this part to present views as a participant in a rulemaking proceeding, including individuals or any profit or nonprofit group, association, partnership, or corporation. This does not include a local, state, or Federal agency.

(d) "Department" means the U.S. Department of Agriculture.

(e) "Docket" means the file of material relevant to requests for reimbursement under this part.

(f) "Evaluation Board" or "Board" means a panel composed of three members including a Chairperson designated by the USDA Director of Public Participation. No member shall be from the Agency which is responsible for the proceeding out of which the application arises.

(g) "Locality to be affected" means the United States in the case of proceedings which may have a nationwide impact; and the State or States affected in the

case of proceedings which do not have a nationwide impact; or as defined by the Agency Head in the notice of the agency proceeding.

(h) "Proceeding" means any phase of a Department rulemaking process that is open to public participation, including any advance notice or notice of proposed rulemaking, or any meeting, hearing, or invitation to comment in contemplation of rulemaking, except that this does not include adjudications.

(i) "Secretary" means the Secretary of Agriculture or his or her delegate.

§ 12.3 Scope and applicability.

(a) This part applies to any individual or group seeking financial assistance to participate in a rulemaking proceeding of the Department. It does not, however, create any new right to intervene or otherwise participate in any proceeding. The availability of funds and the program need for reimbursement of participants will be determined by the Department.

(b) This regulation is solely for the purpose of establishing internal procedures to assist agencies in determining applicants' eligibility for the reimbursement provided by the Department under this regulation. Nothing in this regulation shall be construed to create a cause of action or to preclude any cause of action which might exist without this regulation.

§ 12.4 Applications for reimbursement.

(a) Any person may submit an application for reimbursement for participation in an agency proceeding. The application should be submitted as early as practicable after a proceeding begins.

(b) If the Agency anticipates that reimbursed participation would contribute substantially and effectively to it in a particular proceeding, it may invite applications for reimbursement. The invitation, including a description of the particular issues the proceeding will address, the locality affected and a closing date for the submission of applications, will be published in the **Federal Register** and may also be publicized in any other way.

(c)(1) Applications shall be submitted to the Agency Head responsible for the proceeding: [Agency Head], United States Department of Agriculture, Washington, D.C. 20250.

(2) Alternatively, an applicant may send the application to the Director of Public Participation, United States Department of Agriculture, Washington, D.C. 20250. The Director will promptly send any applications he or she receives to the appropriate Agency Head.

(3) Instructions on preparing applications for reimbursement and an application form will be available from the agency responsible for the proceeding.

(d) Each applicant shall provide, in a signed statement, the information requested below in the order specified. Failure to include the requested information may delay the consideration of the application and may disqualify the applicant.

(1) The applicant's name and address. In the case of an organization, the names, addresses, and titles of the members of its governing body, organizational affiliation with other groups and a description of the organization's general purposes, size, structure, and Federal income tax status.

(2) The proceeding for which funds are requested.

(3) The issues the applicant plans to address and how they affect the applicant's interest in the proceeding. This discussion should explain which ideas or viewpoints the applicant believes are substantive, novel, or significant, and why the applicant believes that the presentation of these ideas and viewpoints would contribute to a full and fair determination of the issues involved in the proceeding.

(4) A statement of the amount of funds requested, including an itemized statement of the services and expenses to be covered by the requested funds.

(5) Financial status, including:

(i) A listing of annual gross income for the current and prior year, plus current assets and liabilities and long-term assets and liabilities of the applicant as of the date of the application.

(ii) An explanation of why the applicant cannot use any assets it may have in excess of liabilities, to cover its costs of participating in the agency proceeding. An applicant should list any commitment of such assets which may preclude their use for the proceeding in question.

(iii) If the applicant is a group, association, partnership, or corporation, the official budget for the current fiscal year of the applicant. A statement of revenues and expenses for the last three fiscal years or an explanation of why such information is not available should also be provided.

(6) A list of all proceedings of the Federal Government in which the applicant has been reimbursed for participation during the past year (including the interest represented and the presentation made) and the amount of such financial assistance received from agencies of the Federal Government.

§ 12.5 Processing of applications and criteria for reimbursement.

(a) The Agency Head will process applications. He or she may request applicants to provide additional written or oral information necessary for full consideration of the application. The Agency Head shall file such additional written information, and summaries of oral information with a copy of each application in the docket.

(b) The Agency Head will process applications as soon as practicable after they are received. If the Agency has invited applications for reimbursement in a particular proceeding, the Agency Head will make every effort to process the applications within 15 working days after the closing date announced in the invitation.

(c) The Agency Head shall present the docket containing all applications together with his or her analysis to the Evaluation Board for approval or rejection.

(d) The Evaluation Board may approve an application only if it finds that:

(1) The applicant has demonstrated that is does not have sufficient resources available to participate effectively in the proceeding in the absence of an award under this part. In making this determination, the Evaluation Board may consider, but is not limited to, the following factors:

(i) The amount of an applicant's assets that are firmly committed for other expenditures;

(ii) The amount of its own funds the applicant will spend on its participation; and

(iii) Whether an appearance of being impecunious is achieved by establishing a sham organization to receive reimbursement under this part or other similar Federal reimbursement programs.

(2) Except for expert witnesses whose technical expertise is required, the applicant is a resident of the locality to be affected, and seeks to represent an interest that is not otherwise adequately represented.

(3) The applicant's participation would, or could reasonably be expected to, contribute substantially to a full and fair determination of the issues involved in the proceeding, taking into consideration the following factors:

(i) The ability of the applicant to represent in a timely and competent manner the interest it espouses, including the applicant's or its consultant's or attorney's experience and expertise in the substantive area at issue in the proceeding;

(ii) How the applicant's interest is affected or evidence of the applicant's

relation to the affected interest it seeks to represent;

(iii) The novelty, complexity, and significance of the issues to be addressed by the applicant at the proceeding.

(e) The Agency Head shall mail each applicant the written decision of the Department, stating either that reimbursement has been granted and the amount of funding approved or the basis for denial in light of the criteria in paragraph (d) of this section. A copy of the decision shall be filed in the docket.

(f) The Evaluation Board may, for good and timely reason given by an applicant, reconsider its approval or disapproval of all or part of an application. The decision of the Evaluation Board shall be final.

(g) Upon request and where practicable the Agency Head may publish notice to extend any filing period for all parties or reschedule any hearings, in order to afford participants adequate time to prepare their presentations. The Agency Head in deciding whether to make such a decision shall balance the need to give time to applicants or participants against the need for a speedy resolution of the proceeding.

§ 12.6 Reimbursable costs.

(a) Reimbursement is limited to the actual and reasonable costs authorized and incurred as a result of the applicant's participation.

(1) Expenses compensable under this regulation include but are not limited to reasonable costs of attorneys, experts, the expense of clerical services, studies, displays, travel and subsistence costs, and other reasonable costs associated with the participation and actually incurred. Except as otherwise provided the total costs reimbursed cannot exceed the amount authorized when the application is approved.

(2) Compensation of an applicant is limited to the actual and reasonable costs of its participation. Compensation paid to the staff of any participating group or organization is limited to the rate of reimbursement normally paid by the participant for staff services and may not exceed the rates paid to Department employees for providing comparable services. Compensation of a participant's contractor may be valued at the prevailing market rates for the kind and quality of service provided, but may not exceed the rates paid to Department employees for providing comparable services.

(3) Reimbursement for travel, subsistence, and miscellaneous expenses must not exceed the rates authorized by Department travel regulations.

(4) Compensation will not be provided for work performed or costs incurred prior to approval of an application by the Evaluation Board. Compensation will not be provided for negotiating claims, answering Department inquiries, or preparing an application.

§ 12.7 Supplementary reimbursement.

Applicants may apply to the Agency Head for supplementary reimbursement if for valid reason the costs of completion were underestimated or if additional funds would improve substantially the applicant's ability to contribute. The disbursement of supplementary funds will be closely regulated.

§ 12.8 Payments to applicants.

(a) An applicant shall submit a claim for reimbursement, for approved costs to the relevant Agency within 90 days of the applicant's completion of participation in the proceeding. The claim shall be certified as correct by the applicant. Such claims shall include bills, receipts, or itemized statements of costs incurred for each item of expense exceeding $10. The relevant agency will authorize payment of the approved expenses within 30 days of receipt of the applicant's claim. For good cause shown, partial payments may be made as an applicant's work progresses.

(b) Payment may be denied if the applicant clearly has not provided the representation for which the application was approved.

§ 12.9 Audits.

The Secretary and the Comptroller General of the United States, or their duly authorized representatives, shall have access for the purpose of audit and examination to any pertinent books, documents, papers, and records of a participant receiving reimbursement or applicant under this section. The Secretary shall establish additional guidelines for accounting, recordkeeping, audit, and other administrative procedures which Agencies will follow in granting reimbursement. Approved applicants shall retain all relevant records supporting a claim for reimbursement for a period of 3 years after receipt of such reimbursement.

§ 12.10 Availability of dockets.

All dockets concerning reimbursement for participation in Department proceedings will be available for inspection and copying through the Department Public Participation Staff at Department Headquarters, 14th and Independence Avenue, S.W., Washington, D.C. 20250.

§ 12.11 Authority for the program.

(a) The following statutes provide implicit authority for the reimbursement of participants in rulemaking proceedings under these statutes: United States Grain Standards Act, 7 U.S.C. 71 *et seq.;* Federal Plant Pest Act, 7 U.S.C. 150aa *et seq.;* Plant Quarantine Act, 7 U.S.C. 151–165, 167; Packers and Stockyards Act, 1921, 7 U.S.C. 181 *et seq.;* Agricultural Marketing Agreement Act of 1937, 7 U.S.C. 601 *et seq.;* Rural Electrification Act of 1936, 7 U.S.C. 901 *et seq.;* Bankhead-Jones Farm Tenant Act, 7 U.S.C. 1010, 1011e; Agricultural Adjustment Act of 1938, 7 U.S.C. 129; Agricultural Act of 1949, 7 U.S.C. 1421 *et seq.;* Federal Crop Insurance Act, 7 U.S.C. 1501 *et seq.;* Agricultural Marketing Act of 1946, 7 U.S.C. 1621 *et seq.;* Agricultural Trade Development and Assistance Act of 1954, P.L. 480, 7 U.S.C. 1691 *et seq.;* Consolidated Farm and Rural Development Act, 7 U.S.C. 1921 *et seq.;* Food Stamp Act, 7 U.S.C. 2011–2027; Cotton Research and Promotion Act, 7 U.S.C. 2101 *et seq.;* Animal Welfare Act, 7 U.S.C. 2131 *et seq.;* Potato Research and Promotion Act, 7 U.S.C. 2611 *et seq.;* Egg Research and Consumer Information Act, 7 U.S.C. 2611 *et seq.;* Beef Research and Information Act, 7 U.S.C. 2901 *et seq.;* Wheat and Wheat Foods Research and Nutrition Education Act, 7 U.S.C. 3401 *et seq.;* Commodity Credit Corporation Charter Act, 15 U.S.C. 714 *et seq.;* Multiple Use-Sustained Yield Act, 16 U.S.C. 528–531; Soil Conservation and Domestic Allotment Act, 16 U.S.C. 590a–f; Flood Control Act of 1944 (Sec. 13); Watershed Protection and Flood Prevention Act, 16 U.S.C. 1001 *et seq.;* Wilderness Act, 16 U.S.C. 1131 *et seq.;* National Forest Management Act of 1976, 16 U.S.C. 1600 *et seq.;* Forest and Rangeland Renewable Resources Planning Act of 1974, 16 U.S.C. 1600 *et seq.;* Forest and Rangeland Renewable Resources Research Act of 1978, 16 U.S.C. 1641 *et seq.;* Soil and Water Resources Conservation Act of 1977, 16 U.S.C. 2001 *et seq.;* Cooperative Forestry Assistance Act of 1978, 16 U.S.C. 2101 *et seq.;* Animal Quarantine Laws, 21 U.S.C. 102, 111, 120; Poultry Products Inspection Act, 21 U.S.C. 451 *et seq.;* Federal Meat Inspection Act, 21 U.S.C. 601 *et seq.;* Housing Act of 1949, 42 U.S.C. 1471 *et seq.;* Rural Clean Water Act of 1977 (Sec. 35) 33 U.S.C. 1288; National School Lunch Act, 42 U.S.C. 1751–1768; Child Nutrition Act of 1966, 42 U.S.C. 1771–1778.

(b) Prior to the implementation of a reimbursement plan for rulemaking

proceedings conducted under other statutes, the Office of the General Counsel (OGC) will review the relevant statute or statutes and determine whether there is explicit or implicit authority for reimbursement for public participation. OGC will make this determination in response to a request from an Agency Head. Such request shall be made:

(1) prior to inviting applications for reimbursement; or

(2) where such an invitation is not made, after receiving an application for reimbursement for a specific rulemaking proceeding.

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BILLING CODE 3410-90-M

PUBLIC PARTICIPATION COSTS

Mr. WHITTEN. Last year's hearings provide information on estimated costs for public participation. Please provide a listing of your estimated expenditures in the record and what actual expenditures are turning out to be.

Mr. HJORT. No funds have been expended for reimbursement of participants in USDA proceedings. The Conference Report on the 1979 Appropriations Act directed that no funds be used for this purpose until regulations were in effect to implement the rulings of the Comptroller General and the directives of the conferees.

Those regulations were published January 24, 1980, and went into effect February 25, 1980. At this time, no agency has decided to make reimbursement funding available for a rulemaking action.

Under the regulations, each application for reimbursement must be evaluated on the basis of the unique and substantial contribution offered. Reimbursement will be made only to applicants who lack financial resources to participate without assistance. Reimbursement would also be limited to applicants whom an agency deems valuable to a specific decision. The Department anticipates that reimbursement will be made in a small number of cases, and that the cost of this program will be relatively small and controllable, but impossible to estimate precisely in advance.

The regulations do not commit agencies to increased program costs. Reimbursement would be used only where needed to provide a balanced record—to admit viewpoints, whether pro or con, which would otherwise not be adequately represented. The adequacy and balance of the decision record are the sole objectives to be served by reimbursement. The use of the regulations is discretionary and should be based on an analysis concluding that reimbursement would be more cost effective—lower cost—than alternative means of obtaining the same views. Improvements should result, commemorate with cost of reimbursement.

While Federal costs cannot be estimated in advance for any given proceeding or for the Department in a given fiscal year, the costs are controllable through a series of decisions at both the agency and Department levels. The agency must determine that funds are available for reimbursement. The agency and the Office of the Secretary will review each application to assure it meets the above standards. The final decision to reimburse a particular applicant is reserved to an Evaluation Board at the Departmental level following agency review.

Mr. WHITTEN. How large a staff do you have in your Public Participation Office?

Mr. HJORT. The office has three professional staff persons.

MANAGEMENT IMPROVEMENTS

Mr. WHITTEN. On page 232 of last year's hearing, you provided information regarding management improvements in the Department of Agriculture and dollar savings for each. Please provide an updated table for this year's record.

[The information follows:]

The information we provided last year concerned the results of a major, Department-wide project on cash management. The USDA effort was, in turn, part of a government-wide project coordinated by the Office of Management and Budget. The estimated $30,300,000 in savings from that project were prospective savings; that is they would actually accrue in future years. We are beginning to see those savings now and we will continue to realize them annually. The monies are savings in interest and will be credited to Treasury.

The Department is making continuing, aggressive efforts toward management improvement. We are cooperating with OMB on a similar project in the area of debt management. We expect this effort will begin to show results toward the end of FY 1980.

STAFFING

Mr. WHITTEN. Please provide for the record a listing of the staffing pattern in each of the offices within Departmental Administration, and how many positions occur at each grade level for each office.

Dr. WALLACE. We will be glad to provide that for the record.

[The information follows:]

FISCAL 1980, DEPARTMENTAL ADMINISTRATION

Detail of Permanent Positions

Grade	Number of positions	Grade	Number of positions
ES-6	1	8	12
ES-5	2	7	69
ES-4	17	6	47
ES-1	1	5	50
		4	22
Total	21	3	13
GS:		2	6
15	42	1	2
14	68		
13	98	Subtotal	591
12	70	Ungraded Positions	22
11	31		
9	40	Total	613

Office of Budget, Planning and Evaluation

ES-6	1	8	3
ES-4	8	7	11
Total	9	6	7
GS:		5	4
15	2		
14	19	Subtotal	91
13	14	Ungraded Positions	--
12	12		
11	5	Total	91
9	5		

Office of Operations and Finance

Grade	Number of positions
ES–5	1
ES–4	4
Total	5
GS:	
15	6
14	14
13	12
12	18
11	10
9	12
8	1
7	14
6	7
5	13
4	8
3	4
Subtotal	124
Ungraded Positions	13
Total	137

Office of Personnel

Grade	Number of positions
ES–4	2
GS:	
15	10
14	8
13	30
12	8
11	1
9	6
8	1
7	12
6	11
5	8
4	5
3	3
2	2
Subtotal	107
Ungraded Positions	--
Total	107

Office of Equal Opportunity

Grade	Number of positions
ES–4	1
ES–1	1
Total	2
GS:	
15	3
14	3
13	12
12	14
11	11
9	1
7	4
6	3
5	4
4	3
3	2
2	1
Subtotal	63
Ungraded Positions	--
Total	63

Office of Governmental and Public Affairs

Grade	Number of positions
ES–5	1
ES–4	2
Total	3
GS:	
15	17
14	15
13	18
12	14
11	3
9	6
8	6
7	26
6	15
5	20
4	4
3	4
2	3
1	2
Subtotal	156
Ungraded Positions	9
Total	165

Office of Safety and Health Management

Grade	Number of positions
GS:	
15	1
14	4
13	5
12	3
9	7
7	1
6	2
Subtotal	23
Ungraded positions	-----
Total	23

Management Staff

Grade	Number of positions
GS:	
15	2
14	4
13	4
12	1
11	1
9	3
7	1
6	1
5	1
4	2
Subtotal	20
Ungraded positions	-----
Total	20

Office of Small and Disadvantaged Business Utilization

Grade	Number of positions
GS:	
15	1
14	1
13	3
8	1
6	1
Subtotal	7
Ungraded positions	-----
Total	7

OFFICE OF PERSONNEL REVIEWS

Mr. WHITTEN. Dr. Wallace, you state that the Office of Personnel plans to conduct a comprehensive review of agency personnel programs to determine whether the most efficient and cost-effective employment practices are being used. What will this study do? How much of your resources will be taken up in this exercise? How long will the exercise take?

Dr. WALLACE. I mentioned the review of agency personnel programs as an example of responses to improve our ability to provide services to the program agencies by developing new, more efficient, cost-effective systems. To increase your understanding of the review, I would like to put it in proper perspective with the increased monitoring activity necessitated by the Civil Service Reform Act.

The Office of Personnel Management as a result of the Civil Service Reform Act has greatly increased the responsibilities of Departments in the operation of the personnel system which is one of the foundations of all program administration and delivery. Many of the increased responsibilities delegated to the Department of Agriculture have been redelegated for implementation to the line managers and personnel staff in the individual agencies. We have asked for an increase of $292,366 in FY 1981 for the Office of Personnel to adequately monitor agencies' implementation of the numerous requirements placed upon them by Civil Service Reform and the increased operating delegations resulting from OPM actions. These personnel management evaluations are needed to assure proper, efficient and effective personnel management by the agencies and must be an ongoing program, as explained in my testimony.

Data received as a result of ongoing monitoring reviews will be coupled together with some special studies of overtime, timeliness of personnel actions, processing employee performance and conduct, and grade control and position structure analysis will enable the Department to develop, where necessary, procedures that will assure corrective action to improve efficiency and eliminate waste throughout the Department.

The effectiveness of these new procedures will be assessed through the ongoing activities of the personnel management evaluation program. The comprehensive review to determine whether the most efficient and cost-effective employment practices are being used should require one-fourth of a staff year and will take approximately the last three months of the fiscal year to complete.

USDA PRODUCTIVITY

Mr. WHITTEN. Dr. Wallace, in your statement you talk about the increase in productivity of USDA employees. Please cite for the record the specific areas of greatest increase in productivity management.

Dr. WALLACE. The Department of Agriculture has been successful in the implementation of productivity measurement systems in many of our agencies. I would like to touch on what I consider to be some activities reflecting the most significant productivity increases in the Department. This includes four of our larger agencies, APHIS, FmHA, and SEA plus one staff office, the Office of Operations and Finance.

The Animal Disease Control Program with 3,007 employee-years in the Veterinary Services area of the Animal and Plant Health Inspection Service has shown a 32% increase in productivity between 1971 and 1978; the last year for which data are available. This increase may be attributed primarily to improved methods in the testing of animals making possible a 39% increase in output with an increase of only 5% in staffing.

The loan servicing activity in the Farmers Home Administration with 4,183 employee-years increased productivity by 30% from 1975 to 1978. During this period, the output increased by 21% while the staffing required actually decreased by 7%. The Farmers Home Administration accomplished this increase through the use of improved work measurement techniques utilizing standards as well as through increased automation in the loan servicing area.

The Technical Information Services of the Science and Education Administration experienced a dramatic 70% increase in productivity in the 1970 to 1978 period. This area, formerly known as the National Agricultural Library, has had a 92% increase in workload while staffing increased by only 13% to the present 217 employee-years. This productivity increase may be attributed to improved methodology, especially in the use of laser scanning similar in concept to that used by supermarkets in reading the universal produce code on items. The laser scanner used by Technical Information Service is used to read identification numbers on items borrowed from the library and on the borrower's identification card.

The Office of Operations and Finance has responsibility for operation of the centralized mail operations in the Department. This activity, with 67 employee-years, has shown an increase in productivity of 177% since 1967. Mail volume has increased 139% during this period while, at the same time, the staffing effort required to handle this work decreased by 14%. This productivity increase may be attributed to improved scheduling of mail services and mail handling. In addition, the Department has acquired two mail delivery robots pro-

grammable to make unattended mail delivery in designated areas of two of our buildings in the Washington complex.

We are proud of the progress that USDA has made in the productivity area. But we are not complacent. We are continuing to explore all of our activities for ways in which to live within increasingly tight personnel ceilings while handling, in an efficient and timely manner, increasing workloads.

OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION

Mr. WHITTEN. With regard to the Office of Small and Disadvantaged Business Utilization, provide for the record a copy of the Secretary's Memorandum which established this office, and a copy of the letter to the Committee advising us of your activities in this area.

[The information follows:]

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

June 26, 1979

SECRETARY'S MEMORANDUM NO. 1992

Establishment of Office of Small and Disadvantaged Business Utilization

1. Background. On October 24, 1978, the President signed P.L. 95-507, amending the Small Business Act and the Small Business Investment Act of 1958. Section 221 of P.L. 95-507 amends Section 15(k) of the Small Business Act, 15 U.S.C. 637, to require that each Federal agency having procurement powers establish an office to be known as the "Office of Small and Disadvantaged Business Utilization."

2. Establishment of Office. There is hereby established, reporting to and supervised by the Secretary through the Assistant Secretary for Administration (who is deputy to the Secretary for Procurement and all equal opportunity matters), an Office of Small and Disadvantaged Business Utilization. The primary function of this office shall be to implement and administer the programs under Sections 8 and 15 of the Small Business Act, as amended. Other duties consistent with the Government's small and disadvantaged business programs may be assigned to this office.

3. Functions Transferred. All functions currently performed by the Minority Business Assistance Division of the Office of Equal Opportunity and the following functions performed by the Office of Operations and Finance Procurement Division will be transferred to the Office of Small and Disadvantaged Business Utilization:

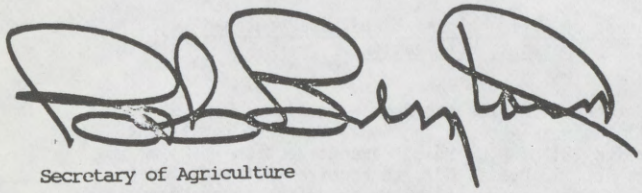
   a. Implementation of Federal statutes, OFPP policy letters and Federal Procurement Regulations that relate to small and disadvantaged businesses.

   b. Reporting requirements on the Government's small and disadvantaged business programs.

4. Incidental Transfers. The Assistant Secretary for Administration and the Director, Economics, Policy Analysis and Budget, will coordinate the transfers of funds, personnel, employment authority, space, records, property and incidentals as may be necessary to implement the provisions of this Memorandum.

5. Existing Directives. Prior delegations of authority, regulations, and other directives not inconsistent with the provisions of this Memorandum shall remain in effect until modified or superseded.

6. Termination. The delegations of authority provided in this Memorandum shall remain in effect for ninety days or until such time as they are published in the Federal Register.



Secretary of Agriculture

DEPARTMENT OF AGRICULTURE
OFFICE OF ASSISTANT SECRETARY FOR ADMINISTRATION
WASHINGTON, D.C. 20250

February 7, 1980

Honorable Jamie L. Whitten
Chairman, Subcommittee on Agriculture,
Rural Development and Related Agencies
Committee on Appropriations
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

This letter is to advise you of our plans to adjust the 1980 funding levels for several activities within Departmental Administration. A redirection of the current resources will provide sufficient flexibility to effectively support changes in program operations resulting from recently enacted legislation.

These legislative initiatives in the areas of Personnel Management and Small and Disadvantaged Business Utilization will require an increase of $190,000 for the Office of Personnel and an increase of $66,000 to assist in the establishment of the Office of Small and Disadvantaged Business Utilization. We plan to reprogram this amount from the equal opportunity and safety and health programs. The enclosures provide a detailed explanation for the planned reprogramming.

This information is being presented to you in accordance with our policy of keeping you informed of significant changes in the allocation of funds from that proposed in our budget justification.

We will be pleased to provide any additional information you may require.

A similar letter is being sent to Congressman Andrews and to Senators Eagleton and Bellmon.

Sincerely,

/s/ JOHN S. WALLACE
Assistant Secretary
for Administration

DEPARTMENTAL ADMINISTRATION USDA Number _____

SUMMARY OF PROGRAM REVISIONS

	Fiscal Year 1980		
	Current Program Appropriation by Congress	Program Revision	Revised Total Program a/
Increases:			
Personnel	$1,840,730	+$190,000	$2,030,730
Small and Disadvantaged Business Utilization ...	168,847	+66,000	234,847
TOTAL	2,009,577	+256,000	2,265,577
Decreases:			
Equal Opportunity	2,389,189	-161,000	2,228,189
Safety and Health Management	887,300	-95,000	792,300
TOTAL	3,276,489	-256,000	3,020,489

a/ Excluding the FY 1980 pay cost supplemental, the revised program totals are consistent with the estimates reflected in the Project Statement of the FY 1981 Explanatory Notes.

Comments on Reprogramming

PERSONNEL MANAGEMENT PROGRAM - $190,000 Increase

The Office of Personnel has taken the lead in designing and implementing the processes and procedures necessary to effect the significant changes required by the Civil Service Reform Act of 1978. The required changes have over taxed the existing resources with which the Office of Personnel has carried out its continuing responsibilities in managing the Department's personnel resources. During FY 1979, a support staff was established to implement the major policy changes mandated by the CSRA, and to provide timely advice and service within the areas of executive resources, performance appraisal and executive development. This was accomplished through a temporary redirection of 14 staff years from planned personnel activities

The additional requirements of CSRA are of a continuing nature and will necessitate a reprogramming of 13 staff years and $190,000.

SMALL AND DISADVANTAGED BUSINESS - $66,000 Increase

On October 24, 1978, the Small Business Act and the Small Business Investment Act of 1958 were amended requiring that each Federal agency, having procurement power, establish an Office of Small and Disadvantaged Business Utilization.

In accordance with this law and Secretary's Memorandum No. 1992, dated June 25, 1979, those functions supporting small and disadvantaged business were realigned within Departmental Administration. This action was accomplished through a transfer of functions from the Office of Equal Opportunity and the Office of Operations and Finance to the Office of Small and Disadvantaged Business Utilization.

However, this did not provide sufficient resources to adequately finance two key management positions. A reprogramming of $66,000 for personnel compensation for the Director position and one staff assistant position will be required for FY 1980.

EQUAL OPPORTUNITY PROGRAM - $161,000 Decrease

The amount of $161,000 is available in the Office of Equal Opportunity and has resulted through deferral into 1981 of contracts for the automation of minority program participation data. Through a practice of scheduling contract services over an extended period of time, this work will be accomplished within the revised program amount.

HEALTH SERVICES - $95,000 Decrease

The health services program provides emergency medical services, a medical surveillance program, and a highly effective alcohol and drug abuse program for all USDA employees in the Washington area. This activity has previously been financed through a split funding of appropriated and reimbursable resources. However, through a cooperative agreement with the user agencies, this activity has been fully financed on a reimbursable basis as provided by section 601 of the Economy Act. For this reason, the amount of $95,000 is available for reprogramming from the health services area to the personnel management program for the implementation provisions required by the Civil Service Reform Act of 1964.

The effect of the proposed funding adjustments are reflected in the Fiscal Year 1981 Explanatory Notes and remain consistent throughout the requested 1981 funding level in order to show the revised requirements of the programs on a continuing basis.

GRANTS AND AGREEMENTS

Mr. WHITTEN. You are asking for an increase of $132,000 in the areas of grants and agreements management. Provide for the record what you plan to do with this money.

[The information follows:]

The Office of Operations and Finance has been working with OMB on a pilot program to develop an automated Government-wide system that will provide grant information to state and local governments. We do not presently have a Department-wide system. Therefore, it is necessary to perform a study to develop the requirements necessary for the agencies to input the data elements specified by OMB and Congress.

The resources would be used to implement the Grant and Agreement Legislation (P.L. 95–224); provide USDA direction for eliminating "Federal Redtape" through more timely analysis and implementation of OMB policies on grants and management; and undertake a feasibility study to define the requirements and needs of a Department grants management information system.

WCF—INCREASED OPERATING EXPENSES

Mr. WHITTEN. You are requesting an increase of $2,728,000 for increased operating costs, of which only $161,000 is identified for annualization of pay increases. Please discuss for the record what the other monies would be used for and what activities they would fund.

[The information follows:]

Dr. WALLACE. The additional $2,567,000 if approved, will provide the necessary funding to allow the Working Capital Fund to continue service to the program agencies at the fiscal year 1980 level. The funds will be used to cover the inflationary cost increases for goods, services, GSA space, equipment rentals, and outside contracts. Approximately $265,000 would be required to offset the increased costs of forms and supplies to our central supply operation; and $217,000 is required for increased paper, ink and envelope costs to our Printing Plant and the rental of copiers used in the Department's centralized copier system. In the ADP area, $624,000 is required for increased rental costs of hardware, software and maintenance contracts. For the National Finance Center, $473,000 is requested for increased space costs of $213,000 and supply and material increases of $260,000. The Department's motion picture and design graphic services which are under the direction of Mr. Webster, will require approximately $431,000 to cover rising costs for the processing of photographs; supplies for the construction of exhibits; design graphic; and outside commercial contracts for motion picture production. The remaining $557,000 is needed to cover the estimated increases in the cost of GSA space, centrex, and general office supplies.

In fiscal year 1980 budget, the Working Capital Fund limitation was increased by only $271,000 for such rising costs. The program agencies serviced by this fund have increased significantly, resulting in a greater demand for WCF services. Due to efficiency of operation, we have been able to absorb these increases for the last three years with little additional limitation, we can no longer absorb this steady rise in the cost of operations without a like increase in the WCF limitation.

COMPUTER CONVERSION STATUS

Mr. WHITTEN. Please discuss the status of your computer equipment conversion and what plans you have in the ADP area for 1981.

Dr. WALLACE. The contract commitment with Honeywell has been completed; the two central processing units and their collateral equipment are in place. They have been tested and are working. A substantial number of programs have been converted and are now running on the Honeywell equipment.

We are now in the process of accomplishing the Payroll/Personnel System Conversion. This is NFC's number one priority, and we are dedicating great effort to the conversion. It is a job of mammoth proportions because it involves not only program conversion but also program revision and improvement. We intend to have a much more efficient system when it goes up on the Honeywell equipment. It is anticipated that this conversion will be completed in the October to December 1980 time frame; in other words, early in fiscal year 1981. Until that time we will continue use of the IBM 7080's to do the job.

After completion of the Payroll/Personnel System conversion, we will proceed to convert the remaining programs running on the old equipment to the Honeywell System. It is anticipated that all programs will be converted by the end of fiscal year 1981.

INCREASED OPERATING COSTS

Mr. WHITTEN. Cite some specific examples of increased operating expenses, such as the request of $304,000 for supply and other central services, within the Working Capital Fund area.

Dr. WALLACE. Of the $304,000, $265,000 would be used to offset the steady rise in the most of supplies and forms to our central supply operation; another $28,000 is required to cover the estimated increases for GSA space, centrex and office supplies; the remaining $11,000 is for annualization of fiscal year 1980 pay increases.

The requirements of supply and other central services are typical of the Working Capital Fund as a whole. The major portion of these increases are required to cover increased costs of supplies, and materials used directly in the production of the goods and services requested by the program agencies.

Mr. WHITTEN. Specifically, what types of increased operating expenses have you experienced over the past year, and what further increases are you planning for when fiscal 1981 begins?

Dr. WALLACE. During the past year we have experienced increased operating expenses in all object classifications. More specifically, there was the annualization of fiscal year 1979 pay increases, increased common carrier and per diem costs, higher postage rates, GSA space rental, centrex, and GPO and commercial cost increases for paper and printing.

The forecast for fiscal year 1981 is that these increased costs will continue. In the development of our budget estimates we projected specific increases of 7 percent for annualization of pay, 10 percent for travel and per diem, 7.5 percent for postage, 10 percent for GSA space, 7 percent for GSA centrex, and based on GPO and GSA estimates, 21 percent for the cost of printing and paper. The estimates for the remaining object classifications varied by function but our overall request total an 8.3 percent increase for these costs.

INCREASED OPERATING EXPENSES AT THE NFC

Mr. WHITTEN. You are requesting over $1,000,000 for increased operating expenses for the National Finance Center alone. Please describe what the $1,000,000 will provide.

Dr. WALLACE. Mr. Chairman, as you know, this is not a request for an increase in our appropriation. It is a request for an increase in the limitation on the Working Capital Fund. No increase in the Departmental Administration appropriation is requested for NFC activities.

If the request for the additional $1,002,000 is approved, the funds will be used to allow the NFC to continue service at the fiscal year 1980 level. The funds will not allow the NFC to expand service. The dollars will be used to cover the rising costs of goods and services used by the NFC, and to cover increased rents paid by the NFC. For example, approximately $213,000 will be utilized for payments to NASA, the owner of the complex on which NFC resides. Of this total, $150,000 is needed for increased fuel costs, gas and oil, and $63,000 is needed for space rental charge increases. The rising costs of supplies and materials provides a second example; an additional $260,000 is required to cover inflation in this area.

As you may recall, no funds for such rising costs were provided for the National Finance Center in the fiscal year 1980 budget, we cannot go a second year without funds to cover such rising costs.

FUNDS FOR NFC PROGRAM INCREASES

Mr. WHITTEN. For the record, please describe the request for $2,080,000 for implementation of the motor vehicles system, expansion of the AMS and APHIS billings and collection activities, and expansion of the property management information system.

Dr. WALLACE. Again, Mr. Chairman, please note that this request is for an increase in the Working Capital Fund limitation and not for an increase in our direct appropriation.

The funds derived from the limitation increase will be utilized not only for the costs related to the implementation of the Motor Vehicles System, expansion of the AMS and APHIS Billings and Collections System and expansion of the Property Management Information System but also for costs related to the implementation of the revised Payroll/Personnel System and the inclusion of additional agencies in the Central Accounting System.

As you know, these systems are in the process of being developed and/or expanded to service the entire Department of Agriculture and they will result in savings to individual agencies because they will replace old, inefficient and sometimes manual systems currently being used. Funds formerly utilized by individual agencies will now be used by the NFC to provide improved, centralized service at a cost no greater than that previously paid. However, the expansion of the Central Accounting System alone—to include the Agricultural Marketing Service, the Federal Grain Inspection Service and Office of Transportation—will increase the NFC workload by 850 thousand documents in 1981. The total increase in workload for 1981 will likely be in the neighborhood of 1.75 million documents. In total, this means that the number of documents processed will increase from an estimated 12.5 million in 1980 to 14.3 million in 1981.

This workload increase will have an across-the-board impact on the operating costs of every organizational unit and level at the NFC, even though the personnel level will basically remain constant. The

per document processing cost for the NFC for 1980 is estimated to be $1.86 and a simple projection of this cost times the increased workload would suggest an increase greater than the $2,080,000 which has been requested. However, because of anticipated increased productivity only $2,080,000 is needed to handle the expanded workload.

Expenditures will increase significantly in all cost areas, except perhaps in the personnel area, as a result of the workload increase. Funds are needed to cover the costs of the additional supplies and materials, equipment rentals, utility costs, printing and reproduction costs, etc. incidental to the workload increase. In particular, there will be a significant increase in equipment rentals because of the additional peripheral equipment required to handle the workload. No requirement for increased central processing unit capacity is foreseen at this time, however.

WCF QUARTERLY REPORT

Mr. WHITTEN. For the record, please provide for all agencies in USDA the Quarterly Report on the final amount paid for services with regard to the Working Capital Fund.

[The information follows:]

The Working Capital Fund charges to USDA agencies for the final quarter of fiscal year 1979 are as follows:

WCF—JULY TO SEPTEMBER 1979 SUMMARIZATION

Agency code and name	Amount	Agency code and name	Amount
01—O/SEC	$97,516.65	38—WFAOSB	$7,491.58
02—AMS	258,774.16	40—SEA	1,467,354.02
05—ASCS	1,441,701.51	41—ESCS	901,799.84
07—FMHA	989,730.27	42—OBPE	12,891.74
08—FCIC	202,263.00	43—OICD	48,898.30
10—FAS	216,701.66	45—OT	2,573.30
11—FS	4,385,904.57	72—OSHM	15,630.09
13—OGPA	225,670.16	73—MS	13,379.94
14—OGC	39,149.89	74—OSDBU	0
15—REA	145,303.13	91—NFC	201,863.00
16—SCS	1,278,884.15	92—OALJ	1,955.03
21—OGSM	33,844.13	95—OEO	13,607.87
23—OIG	160,975.31	96—OP	55,795.00
30—FNS	459,808.23	97—OF	330,822.79
34—APHIS	547,552.43		
36—FGIS	262,947.54	Total	14,737,372.56
37—FSQS	916,583.27		

CAPPER-VOLSTEAD MONITORING STAFF

Mr. WHITTEN. You have requested an additional $200,000 and six positions for the Capper-Volstead Monitoring Staff. Please provide for the record what grades you plan to use in this staff, what types of analysis will be done, the classification of the positions, and what types of work will be done.

[The information follows:]

The six positions requested would have the following GS grades and job responsibilities:

GS Grade/number of positions	*Responsibility*
15–1	Director
14–2	Economists
13–1	Lawyer
7–1	Secretary
6–1	Secretary

The types of analysis with which this staff will be involved will include:

Investigations into the legal aspects of potential price enhancement situations, involving review of the alleged actions or situations in which farm cooperatives might be in violation of Section 2 of the Capper-Volstead Act.

Economic analysis of the market power of and commodity prices charged by farm cooperatives to identify possible price enhancement situations.

Mr. WHITTEN. Describe for the record the type of situations that would require action by USDA under the Capper-Volstead Act.

[The information follows:]

Section 2 of the Capper-Volstead Act authorizes the Secretary of Agriculture to:

Determine that an association farm cooperative may be engaged in practices that appear to result in undue price enhancement of agricultural products.

Issue a complaint to such an association requiring it to show cause why a cease and desist order against such practices should not be issued.

Hold a hearing to allow the association to present information as to why such an order should not be issued, and issue an initial decision either dismissing the complaint or issuing an order directing the association to cease and desist from monopolization or restraint of trade.

Under the Rules of Practice published in the Federal Register January 29, 1980, the Department will carry out these responsibilities through the monitoring staff, the Administrative Law Judges, the Judicial Office, and other units within the Department at the direction of the Secretary.

Required USDA actions against farm cooperatives under the Capper-Volstead Act, as outlined above under authorizations to the Secretary, follow from the determination that the cooperative in question may in fact be unduly enhancing prices.

Mr. WHITTEN. Have these situations arisen in the recent past? How were they handled? Please cite some examples for the record.

Mr. HJORT. The Department has investigated several situations in which farm cooperatives were alleged to have been in violation of the Capper-Volstead Act. The most recent case involved a complaint by the National Consumers Council against milk marketing cooperatives. However, in each of these cases the Department determined that no undue price enhancement was taking place, therefore, no further actions were required.

OBP&E IMPACT ANALYSIS

Mr. WHITTEN. Mr. Hjort, your statement cites the responsibility of OBP & E for coordinating the development of impact analysis that provides the basis for policy and program decisions. Please cite some examples of this for the record.

[The information follows:]

Mr. HJORT. The Secretary is strongly supportive of requirements that decisions be founded on sound analysis. For significant decisions, generally those requiring oversight at the Office of the Secretary level or higher, OBP & E has established a system of cataloging, tracking, and providing appropriate assistance to assure that an adequate impact analysis is being developed.

One recent example of OBP & E coordination facilitating the development of an adequate analysis occurred in the preparation of the impact statement supporting the marketing order for Valencia oranges. The original schedule seemed to require completion of an analysis prior to the date at which data on production would become available; this situation was discouraging those whose responsibility it was to develop a good analysis. OBP & E representatives participated in a meeting with staff from the agency and producer representatives; the principal achievement of the meeting was to review the fixed dates in the process—date when data would be known, date when producer representatives were scheduled to meet, etc.—and then to figure out in a logical way how to start early to frame the analysis that could lead to a decision. The process resulted in one of the better analytic products from the agency, and one that producer representatives found

sufficiently useful that they finished their consideration in one meeting rather than the usual two.

An early instance of OBP & E coordination of the development of an adequate analysis occurred when the Federal Grain Inspection Service was undertaking to prepare regulations implementing the Grain Standards Act of 1978. An extensive background study draft of the regulations had been developed by the agency; they were ready to go ahead and propose regulations based on the study when OBP & E suggested that the entire study draft be published as part of an advance notice of intent to propose rules, thereby subjecting the available information to widespread and critical scrutiny. During the 90-day comment period, 178 responses were received, ranging in substance from editorial suggestions to coverage of major issues having a significant impact on the maketing of grain. Response to this prenotice facilitated the development of an impact analysis that could be submitted to the Secretary with confidence.

The resulting analysis dealt with the major issues, as presented in the comments to the prenotice, and meaningful alternative courses of action were examined. It explored the consequence of increasing the size of export firms which had to comply with the provisions. In the prenotice, firms which exported 1,000 metric tons or more were required to register and comply. By increasing the size to 15,000 metric tons (an increase prompted by the comments), it was determined that about 25 to 50 fewer merchandisers, out of the original 200, would need to comply, while the surveillance on export grains would be reduced by only approximately 2 percent—down to 97 percent.

OBP&E coordination and technical assistance aided the FmHA is organizing and producing a large number of analyses within a short period of time. Departmental program audits had disclosed weaknesses in policy and administrative management in several key FmHA programs. Those audits also provided many and varied recommendations about how to correct the deficiencies, ranging from consideration of legislative proposals to substantial revision of regulations to altering of internal procedures. OBP&E analysts assisted the agency in the complex task of sorting and classifying the large number of recommendations into actionable decision units and planning the impact analysis for each decision. From the approximately 70 separate recommendations, the following have been identified: 17 significant decisions; 13 non-significant decisions; 12 administrative actions, and 6 legislative proposals. The significant decisions will be supported by 11 analyses, each of which will have departmental-level approval. With OBP&E coordination and assistance. FmHA is making steady progress in taking the corrective actions recommended.

OBP&E WORKLOAD

Mr. WHITTEN. Mr. Hjort, your statement cites the basic core responsibilities for OBP&E as budget, program review, policy analysis, and legislative matters. Please indicate the relative percentages of your total workload for each one of these categories, and indicate how many man-years within OBP&E are dedicated to each of these activities. and what the grade level structure is within OBP&E for these four activities.

Mr. HJORT. I will provide that information for the record.

[The information follows:]

OFFICE OF BUDGET, PLANNING, AND EVALUATONI—WORKLOAD AND GRADE BY FUNCTION

	Staff years	Percentage of workload	Average grade
Budget	49.5	54.0	11.5
Program review	8.0	8.5	12.3
Policy analysis	8.0	8.5	12.3
Legislative reporting and analysis	15.5	17.0	10.0
Other [1]	11.0	12.0	11.9
Total, OBP&E	92.0	100.0	11.6

[1] Contains the Office of the Director and the Decision Systems and Public Participation staffs.

BUDGET CHANGES

Mr. WHITTEN. In many instances, there is disappointment in that Congress is not advised in advance. In view of the rather uncertain situation at present, where we don't know what kind of final budgets we are going to be dealing with, I don't know that there is any need to question you in further detail. Most of the work you are describing needed to be done. As I say, according to the press, and according to my own information, quite a drive is being made to cut back the budget by the White House, not only in the 1981 budget, but to cut back the requests that have already come up here for the 1980 budget. That being true, I don't have any more questions for you.

TRAVEL AND ADVERTISING

Mr. BURLISON. I have some questions about travel and advertising. I am not sure that this is the place to ask them. Perhaps some of these questions would be appropriate for Assistant Secretary Webster. I believe I will ask the questions, and request that if some of them are not entirely within your province, that you collaborate with Assistant Secretary Webster in providing the answers for the record.

Dr. WALLACE. We would be glad to.

FIRST CLASS TRAVEL

Mr. BURLISON. I am interested in the Department's use of first class travel, especially air travel. I recognize that GSA regulations cover the use of first class accommodations and require the reporting of such use. Can you provide the total incremental expenses for the first class travel by your Department for fiscal year 1978 and 1979, and estimates for those expenses for fiscal year '80 and '81? Breakout the expenses into exception categories, identified in the GSA regulations.

Dr. WALLACE. We would be glad to provide that for the record. I should say that only the Secretary gives permission for first class travel in the Department of Agriculture. It must come up through our offices and through the Secretary.

Mr. BURLISON. Are there cases in which other officials travel first class?

Dr. WALLACE. The Secretary may give permission for travel.

Mr. BURLISON. I see.

Dr. WALLACE. It cannot be done without his permission. We use a classification for exception that GSA has. We would be glad to provide that for you.

[The information follows:]

FIRST CLASS TRAVEL—APPROVED

Exception category	Trips	Additional cost
Fiscal year 1978—Apr. 1 through Sept. 30, 1978:		
Urgency	55	$2,359
Physically impaired	28	2,874
Security	2	190
Total	85	5,423

FIRST-CLASS TRAVEL APPROVED—Continued

Exception category	Trips	Additional cost
Fiscal year 1979:		
Urgency	62	3,729
Physically impaired	47	3,421
Security	11	2,219
Total	120	9,369
	Estimate	
	Fiscal year 1980 $5,000	
	Fiscal year 1981 $5,000	

Mr. BURLISON. What percentage of total departmental travel cost is represented by the incremental cost of first class travel?

Dr. WALLACE. The information will be provided for the record.

[The information follows:]

	Common carrier costs	Total costs	First class, percent— Of total common carrier	First class, percent— Of total costs
Fiscal year 1978	$24,915,958	$109,562,795	0.02	0.005
Fiscal year 1979	27,064,762	125,825,653	.03	.007

APPROVAL FOR FIRST CLASS TRAVEL

Mr. BURLISON. What is the process for approval of first class travel?

Dr. WALLACE. As I mentioned, only the Secretary may approve first class travel for employees. The requests for approval are forwarded from each traveler to the Office of Operations and Finance. The requests are reviewed in comparison with the GSA guidelines and any not meeting the guidelines are disapproved by the Office of Operations and Finance. All requests which meet the guidelines are sent to the Secretary for approval through the Assistant Secretary for Administration.

Mr. BURLISON. Does your department employ guidelines for use of first class travel different from those put forth by GSA?

Dr. WALLACE. Our Department uses the guidelines published by GSA without revision.

Mr. BURLISON. Which officials in your department have the option of traveling first class by virtue of rank? What limitations, for example, minimum length of trip, are imposed on these officials? Please provide the incremental cost for first class usage by each official during FY 1978 and 1979 for travel authorized on the basis of rank. Please provide estimates for FY 1980 and 1981.

Dr. WALLACE. No officials, including the Secretary, travel first class by virtue of rank.

Mr. BURLISON. What aircraft leased, chartered, or owned by your department offering accommodations of first class quality are available to departmental personnel and under what conditions may these aircraft be used?

Dr. WALLACE. USDA has not used any leased, chartered or owned aircraft which offer accommodations of first class quality.

Mr. BURLISON. Thank you.

Mr. WHITTEN. Mr. Myers?

Mr. MYERS. No questions, Mr. Chairman.

Mr. WHITTEN. Mr. Hightower?

BUDGET REDUCTIONS

Mr. HIGHTOWER. Thank you, Mr. Chairman. We are told that we are going to have to cut the budget and cut expenditures at this time. I understand, of course, that your area for responsibility is very limited and is chiefly personnel. Do you have any programs or anything under your administration where economies can be achieved that you do not already have scheduled?

Dr. WALLACE. I cannot think of any at this time, sir. However, last year one of the items that the committee provided for us was an ability to be able to use available funds to cover new items that ordinarily arise and we would have requested increases for. We were able to manage because we had the flexibility and were, with your permission, to transfer money from one office to another. That has helped us a great deal. We are so small that we could not survive otherwise.

We do not know of any other potential cuts. We are operating at a very minimum level as it is.

Mr. HIGHTOWER. This new office that you say was authorized last year, is that the only new program that you have?

Dr. WALLACE. It is not really new, sir. It is new because it says "office" but it is not a new program. The office was there in the form of a person in the business area of our contracting area. The other staff were in the minority business area under the Office of Equal Opportunity. So we were performing this activity before. It was really a matter of pulling those resources together, having a person appointed to head the office and expanding the operation because the law gave it Department-wide responsibility. We must see to it that our small businesses get their fair share of the contracts. Those contracts are large in amount. They are $1.8 billion. We spend lots of money, so it is a new designation.

Mr. HIGHTOWER. So it is just a new designation.

Dr. WALLACE. That was already in operation.

BUDGET INCREASE

Mr. HIGHTOWER. How does the total budget compare with the appropriation of last year?

Dr. WALLACE. The increase for my area requested is $953,162 for a total of $23,760,633 for all of Departmental Administration.

Mr. HIGHTOWER. That represents a $953,162 increase over last year?

Dr. WALLACE. Yes.

Mr. HIGHTOWER. That basically is just the normal inflationary increase?

Dr. WALLACE. They are those specific functions we requested increases for. There is the request for the Office of Small and Disadvan-

taged Business Utilization. We did not want to ask for people because we can contract out for the training and reviews that we must do.

Another increase is in the area of personnel. Again, we found ways to fund the new Civil Service Reform Act. However, it is the monitoring function throughout all of agriculture that we cannot quite do without some small increase.

A third increase is for the Office of Equal Opportunity, which must investigate title VI discrimination complaints. The request will allow us to contract out 90 investigations but by about 120 investigations.

We now have age, handicap, and sex as protected classes. So, that broadens the level of people who can be discriminated against.

Mr. HIGHTOWER. You are asking for new people under this?

Dr. WALLACE. No. No people.

Mr. HIGHTOWER. More funds?

Dr. WALLACE. Funds so that we can contract out.

Mr. HIGHTOWER. I have no further questions, Mr. Chairman.

Mr. WHITTEN. Thank you very much. We will turn now to Mr. Hjort.

Mr. HJORT. Mr. Chairman, I will try to be brief today. We have two matters to discuss with you. First is for the Office of Budget, Planning and Evaluation, the office headed by Steve Dewhurst. The second is for the newly proposed Capper-Volstead monitoring and assessment capability.

OFFICE OF BUDGET, PLANNING AND EVALVATION

First, with respect to the Office of Budget, Planning and Evaluation, it, as you know, is the focal point which is relied upon by both the executive branch and the Congress for accurate and up-to-date financial estimates and other information concerning the department's programs. It also has the responsibility for coordinating the development of impact analyses that provide the basis for policy and program decisions.

The office has a tradition of carrying out its responsibilities efficiently with minimum resources. While various functions have been transferred in or out of the office over time, the basic core responsibilities for budget, program review, policy analysis and legislative matters have remained constant and have been carried out without significant staffing increases.

INCREASE FOR LEGISLATIVE PROGRAM AND REPORTING

However, the fiscal year 1981 budget request for this office is a little over $3.2 million. That would represent an increase of $356,000. That increase is mainly to upgrade our capacity to handle our coordinating of legislative reports responsibility. We have requested six additional people to do that. The staff assigned to that over the last decade has remained at 13. In the meantime there has been a steady growth in the number of reports that come in from the Congress for requests for analysis. Mr. Dewhurst's office has that responsibility of coordinating them. It has just become more than we can do effectively and stay on top of.

We have made that request for some support there. We have been criticized on our turnaround time, the length of time that it takes us to get a response back either in connection with an enrolled bill or back to the Congress in time for them to act.

We have been looking at that. We have a group looking at it throughout this year. We have come to the conclusion that the best we can do is come to you with a request for $300,000 and six additional people to help us in that regard.

GENERAL OPERATING EXPENSES

The other part of the increase for the Office of Budget, Planning and Evaluation is $56,000 for increased operating costs. That includes $25,000 for annualization the fiscal year 1980 pay costs, $26,000 for mail costs, and $5,000 for printing and reproduction.

CAPPER—VOLSTEAD MONITORING STAFF

Turning then to the Capper–Volstead monitoring staff, we have requested in the budget $200,000 and six positions for what we call the Capper-Volstead monitoring staff which we propose to establish in 1981. This staff would have the responsibility for carrying out the monitoring and enforcement procedures under the Capper-Volstead Act, which requires the Secretary of Agriculture to take legal action against a cooperative which has unduly enhanced prices through monopolization or restraint of trade.

As you know, we have had this responsibility for many, many years, but we have also been criticized in the last few years. The Secretary has made a commitment that the department will have the capability to respond to undue price enhancement complaints and monitor agriculture cooperative activities for any possible undue price enhancement.

Mr. ANDREWS. Do you feel you have not been doing this properly in the last few years?

Mr. HJORT. Yes, I think that is fair to say. We have not been doing it to an adequate degree. We have been criticized by the antitrust commission. We have been criticized by others on the matter. We have spent a good deal of time since 1977 trying to decide how best to perform this function.

We have decided and have finalized the rules of practice and procedures for handling this responsibility. We still, frankly, have not decided where organizationally to lodge this responsibility. In our comment period, we received concerns from the public on two grounds. One was that establishing a separate staff could lead to a situation on witch-hunting: that if there were nothing to work on, no complaint, that they would have to be out searching aggressively and looking for something. We do not want to be in that position.

Second, there was concern registered that the same person at a policy level in the Office of the Secretary had the responsibility for the promotion of cooperatives as well as monitoring for undue price enhancement, that individual being myself.

So, we still are considering that. We do not intend to be in that situation.

CONGRESSIONAL INTENT

Mr. ANDREWS. But you are being responsive to the original intent of Congress when it passed Capper-Volstead—that the authority for following up on its provisions rests logically with the Department of Agriculture?

Mr. HJORT. And we believe very much that the responsibility should remain with the Department of Agriculture.

As you know, there have been proposals from some quarters that this responsibility should be transferred to the Justice Department or the Federal Trade Commission.

Mr. ANDREWS. I have heard about that.

Mr. HJORT. We believe very much that it should stay in the Department of Agriculture. But we do have to fully carry out our responsibilities.

Mr. ANDREWS. We are doing everything we can to help you keep it in the Department of Agriculture.

Mr. HJORT. I understand.

Mr. ANDREWS. We appreciate the fact that you are being responsive by setting up this office, staffed by people who understand the cooperative movement and who understand agriculture. That is really the key part of the whole situation. Thank you.

Mr. HJORT. Thank you.

FARMING SHOULD BE A PRIORITY

Mr. WHITTEN. Thank you, Mr. Hjort.

Farming is no longer what it used to be in its makeup, but it is just as important as ever. Its effect on the economy and the consumer is great and it is the best source of the best food that any nation has ever had.

I realize that this country has become largely urban. I would expect and accept that the other departments have grown larger as we deal with all of these new problems and things of interest to the American people. But the very fact that that is true would make me believe that the one place that is left where these problems can be dealt with for those engaged in agriculture, where less than 5 percent of the population are making it possible for others to have the other things, is where we would at least put aid to the American farmer first.

I have sat through many of these hearings and more and more it is evident that even the top people in the department do not use the word "farmer." Much of what you emphasize here has to do with things that are the primary concern of other departments and agencies.

AGRICULTURAL YEARBOOK

Now, that would not be bad if you gave attention to farming along with everything else. I have here before me this yearbook. I like to read. I cannot sit down without reading. Whatever is in front of me, even if it is an almanac, I will read it. I am sure that lots of pleasure will come from reading this yearbook. But it misses its mark entirely in my book.

I think the use of funds for this is not in line with the intent of Congress. The intent of Congress is something derived from reading the appropriation act, the report, and the floor debates. By the time it gets to you it has been approved by the entire Congress, not just committee members.

As I look at next year's proposed makeup of the book—and I do not know whether you have seen it or not, Mr. Andrews, we see such chapters as "Food policy; what is it?" "Food policy; who makes it?"

Then we turn down to the next: "Keeping the cornucopia full, an overview." "Farm programs, who needs them? Who benefits?" "Fine tuning food supply and farm prices, does it work?" "Family farms are factory farms." "Marketing, what does it do for you?" "Food prices: are they too high?"

"Concentration of the food industry: is bigger better?" "Pricing process: is there a problem?" "Regulation in the marketplace: too much or too little?" "Transportation: is it adequate?"

"Eating with confidence." "Was Grandma's food really better?" "Does everything cause cancer in laboratory mice?"

"Why are labels always in Greek?"

"Who inspects the inspectors?"

"Just what is the status of hunger in the U.S.?" "Controversies in nutrition."

Every bit of this needs the attention of the American people; but, when we do this in the name of trying to help the farmer farm so the others can read this kind of thing, I think you have gotten your priorities out of place.

Every other department that I know has just grown world-without-end to meet this same type of thing.

Why cannot you at least keep this department where it tries to meet the needs of those who are producing food and trying to stay in a business with the biggest risk and highest cost? It costs a whole lot more for one individual to get into farming than it does any other kind of business.

It strikes me that you have just lost track: you want to get in on what everybody else is doing instead of looking at the man who is producing food, who enables us to draw Federal salaries—all of you and me, too.

Do you not ever have any worries about that, Mr. Hjort? Do you not think we are skipping over what is badly needed? I mean you in the department.

USDA MISSIONS

Mr. HJORT. We have a tremendous range of responsibilities and programs to carry out in accord with the laws of the country. It does include missions in addition to agriculture.

Because we have those other missions, we try not to give inadequate attention to this first and foremost, in terms of history, mission of department. That is the concerns over farmers and agriculture. That is and remains the basic and fundamental mission.

Over the years, the Congress has added a lot of other missions: rural development, deeper responsibilities on international matters, domestic

food assistance programs, and so on. So, we have those responsibilities in addition.

Mr. WHITTEN. This Committee has tried to do justice by all of those. I think I mentioned nutrition. This is the one Committee that insisted that we keep printing a book on human nutrition through the period when nobody else was. We insisted each and every year.

There are lots of things here that are of interest. We try to do them. But we think it should be minor as compared with the major assignment. And it certainly should not be taken at the expense of the basic things that you have to do.

Well, you are familiar with this. You and I have discussed it.

Mr. ANDREWS. One of the problems that troubles me in this whole yearbook thing is that you say you have to go along with the law, and that is fine. But, the law says that the yearbook is supposed to be a compendium of the research that you have uncovered over the last year or so put together in a form that the farmer and people of this country can get and utilize it. We are spending millions of dollars each year for research in the Department of Agriculture, research on nutrition, research—as was pointed out some time ago—in the field of animal disease. We have not had an updated ag yearbook on animal disease since the fifties.

It would seem to me that the subjects that have been brought out are very worthwhile subjects, very intriguing subjects. But they are hardly what the law calls for: a report to the people of the research that has been done in the department. For many years we have stressed the importance of getting information on where food comes from and all of that to the general public, but that ought to be a separate publication and not used as a substitute for the yearbook.

Mr. HJORT. As you know, I do not have direct responsibility for the yearbook matter—fortunately. I would say, having participated in several hearings so far this session. Also, I think that it is reasonably clear that, at least from now hence forth, the department will be consulting with the committee to a greater degree on yearbooks of agriculture.

Mr. ANDREW. That is good.

PUBLIC PARTICIPATION

Mr. HJORT. The Public Participation staff comes under my responsibility. That responsibility is lodged in the Office of Budget, Planning and Evaluation.

Mr. ANDREWS. I know. But you overlap because, as the gentlelady pointed out in her testimony, the Office of Consumer Affairs is going to have oversight on involving consumers in decisions and programs. That would certainly seem to go right into this whole public participation.

Mr. HJORT. It is very, very closely related; you are right. We have been working with that proposed office and the people there to see to it that we do not have unnecessary duplication and overlap.

Mr. ANDREWS. Have you used any funds yet to pay for witnesses to come in and testify?

Mr. HJORT. I do not believe we have had any application yet. We have finalized the regulations, as I am sure you are aware.

Mr. ANDREWS. Do you expect any funds to be used in this way in fiscal 1980?

Mr. HJORT. It is possible; but, as you recall, and in connection with the guidance from the committee, those regulations are drawn quite tight. It has to be a very clear and justified case before those funds will flow.

Mr. ANDREWS. Would you outline for the Committee in the record just what the Office of Public Participation has done with funds appropriated thus far?

Mr. HJORT. The Office of Public Participation?

Mr. ANDREWS. Right.

Mr. HJORT. Yes, sir, we certainly can.

[The information follows:]

The Administrative Procedures Act, court decisions, and the President's Executive Order 12044 mandate a systematic and thorough effort to obtain substantive comment from interested parties on USDA proposals to issue program regulations.

The Department Public Participation Staff is responsible for oversight of efforts Departmentwide to improve this public involvement.

The term "public" refers to the whole spectrum of interests involved in USDA actions: it includes farmers, small businesses, food processors and retailers, coops, consumers, conservation groups, transportation interests, educators, and all the other segments of the public who might be interested in, or affected by, what USDA does. The Public Participation staff is not constituted as an advocate for one group or point of view. Their job is to work with the agencies, through advance planning, in an effort to assure that all potentially interested parties have the necessary information, time, and opportunity to speak for themselves in the regulatory process. We believe that this is a sound investment of effort to improve the basis of information and opinion on which USDA makes its decisions. It is an aid to anyone who is interested in USDA actions, whether the man in the street or a Washington lawyer.

Activities of the staff in the last year include: consultation with agencies to plan participation efforts, including assistance in clarifying issues; improving information distribution; developing background information on issues and how to comment; gathering mailing lists as resources for agency information efforts; developing, promulgating, and implementing Department regulations on reimbursement; and publication of the semi-annual Decision Calendar.

About 60% of the funds appropriated for Public Participation support a staff of 3 that carries out the above activities. A major additional cost is the publication of the decision calendar in the Federal Register twice annually to advise the public of pending significant actions.

In a September 1979 report to the President, evaluating the efforts of all agencies to improve government regulations, the Office of Management and Budget reported on the USDA Public Participation procedures as follows:

> PUBLIC PARTICIPATION
>
> The Department has made progress in increasing public participation.
>
> A public participation plan is developed for every proposed rule. The Department's plan and performance to date is one of the best in government. The Department cites recent grain standards regulations as a good example of how public participation improved the quality and lessened the burden of proposed regulations. The number of affected fimrs was reduced from 200 to 150 with less than a 2 percent loss in surveillance by adopting changes proposed by the public. In addition, a background study and draft regulations covering complex and controversial new programs established by the 1978 Grain Standards Act were published for early comment. One hundred and seventy-eight comments were received, resulting in substantial revision and improvement in the regulations when they were proposed.

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Mr. ANDREWS. Maybe, if they have not had any witnesses or done anything else, it would be a good time to do away with the whole office.

Mr. HJORT. Well, that office—the business of making payments to those that come in to testify or participate is only a very, very minor part of what the Office of Public Participation's responsibilities——

Mr. ANDREWS. That is why I will be interested to see what you put in the record on what they do.

EMPLOYMENT INCREASES

The last couple of years you have requested increases in employment levels for the Office of the Secretary and Departmental Administration. The Office of the Secretary, as I understand it, went from 105 to 134; the Departmental Administration, from 1798 to 1948.

Would you provide for the record how these increases compare with other Department of Agriculture agency employment levels? It seems that in the Soil Conservation Service and in other programs aimed at saving our land, or helping our farmers out in the field, we have seen cutbacks. Particularly in research programs we have seen personnel cutbacks. Yet, in the administration we seem to have nothing but increases.

Can you explain the justification for this seeming contradiction?

Dr. WALLACE. The increases that we have requested in administration are not entirely in my area, sir; so, we will provide that for you.

Mr. ANDREWS. If you will provide that for the record, maybe Mr. Hjort could put something in there as to why those are justified.

EMPLOYMENT OF MINORITIES AND WOMEN

Could you also point out the progress that has been made in increasing the percentage of women and minority employees in the department?

Could you supply for the record whether these increases came in the lower grades or the GS–13 and above?

Dr. WALLACE. We would be glad to.

[The information follows:]

We are supplying for the record a table showing the permanent full-time employment by agency from FY 1979 through FY 1981. The increase for Departmental Administration reflects the filling of existing program vacancies which resulted from the last government-wide hiring freeze rather than a request for additional employment related to new programs.

UNITED STATES DEPARTMENT OF AGRICULTURE

Permanent Full-time Employment

End-Of-Year

AGENCY	Actual 1979	Estimated 1980	Estimated 1981
Forest Service	21,953	21,980	21,940
Soil Conservation Service	13,680	13,650	13,190
Science & Education Administration	8,084	8,300	8,300
Animal & Plant Health Inspection Service	4,299	4,250	4,232
Agricultural Marketing Service	2,229	2,262	2,224
Federal Grain Inspection Service	1,749	1,963	2,185
Office of Transportation	38	36	39
Food and Nutrition Service	2,306	2,337	2,421
Food Safety and Quality Service	11,583	11,700	11,785
Agricultural Stabilization and Conservation Service	2,439	2,439	2,439
Foreign Agricultural Service	824	850	852
Office of International Cooperation and Development	120	184	187
Federal Crop Insurance Corporation	572	560	560
Farmers Home Administration	7,937	8,364	8,364
Rural Electrification Administration	736	735	735
Economics, Statistics, and Cooperatives Service	2,176	2,248	2,268
Office of Budget, Planning and Evaluation	81	91	103
World Food & Agricultural Outlook and Situation Board	17	26	33
Office of the Secretary	105	131	134
Office of Governmental and Public Affairs	190	190	200
Office of the Inspector General	920	930	935
Office of the General Counsel	334	359	368
Departmental Administration	1,527	1,600	1,645
TOTAL	83,899	85,185	85,139

MINORITIES IN USDA

Based on a review of Departmental work force statistics for calendar year 1976 and calendar year 1979, we made progress in the number and percentage of minorities employed in permanent full-time General Schedule (GS) positions. The most significant progress was made in the mid-level positions (GS-9-12). We increased the number of minorities in mid level positions by 591. In senior level positions, (GS-13-15) there was a net increase of 120 minorities, which amounts to about a 33% increase of minority employees in senior level positions. The large increase in mid level positions should provide a pool of talent to draw from as we continue the upward trend at the senior levels. Statistically, we show a decrease in the number of minorities at the GS-16 level. However, we are fairly certain that the implementation of the Senior Executive Service (SES) accounts for the decrease at the GS-16 grade level. In 1976, there were six (6) GS-16 minorities, whereas in 1979 we show one (1). On the other hand, there are currently seven (7) minorities in the Senior Executive Service out of a total of 307. The overall trend is upward, and we believe it will continue.

Comparative Data

	CY 1976			CY 1979			
Grade	Total	Number Minorities	Percent of Minorities	Total	Number Minor.	% Minor.	Numerical Difference
GS- 7	11,768	1,255	11	12,440	1,533	12	278
8	1,481	162	11	1,592	200	13	38
9	13,033	1,282	10	13,154	1,403	11	121
10	228	19	8	255	21	8	2
11	12,225	671	5	13,095	959	7	288
12	8,691	481	6	9,362	661	7	180
13	5,602	248	4	5,966	332	5	84
14	2,557	95	4	2,677	112	4	17
15	1,202	25	2	1,275	44	3	19
16	187	6	3	29	1	3	-5
17	54	-0-	-0-	5	-0-	-0-	-0-
18	20	-0-	-0-	1	-0-	-0-	-0
TOTAL	77,163	7,512	9.74	82,208	9,228	11.23	1,027

WOMEN IN USDA

With respect to women, the rate of progress and levels of employment are very similar to that for minorities. Very significant progress was made in the mid-level positions. More than 50% (811) of the 1,556 women hired during this period were placed in mid-level positions. In the senior level positions (GS-13-15), 108 women were hired accounting for a 33% increase in the total number of women in senior level positions. The movement of women in mid and senior level positions is very encouraging and we feel it will continue. Moreover, it provides an internal source for future merit promotion actions.

At the present time, there are 13 women in the Senior Executive Service, out of a total of 307 employees, accounting for about 4%. In 1976, we had four women at the GS-16 level. There were no women in a higher grade. Thus, you can see we have tripled the number of women at the super grade level and/or in the Senior Executive Service. Overall, women increased from 24.66% of the total workforce in calendar year 1976 to 26.47% in calendar year 1979. We are moving in the right direction and in line with our overall goals.

Comparative Data

	CY 1976			CY 1979			
Grade	Total	Number Women	% Women	Total	Number Women	% Women	Numerical Difference
GS- 7	11,768	2,746	23	12,440	3,328	27	582
8	1,481	304	21	1,592	357	22	53
9	13,033	1,200	9	13,154	1,488	11	288
10	228	15	7	255	21	8	6
11	12,225	683	6	13,095	1,011	8	328
12	8,691	400	5	9,362	589	6	189
13	5,602	227	4	5,966	307	5	80
14	2,557	81	3	2,677	93	3	12
15	1,202	19	2	1,275	35	3	16
16	187	4	2	29	1	3	-3
17	54	-0-	-0-	5	1	20	1
18	20	-0-	-0-	1	1	-0-	1
TOTAL	77,163	19,025	24.66	82,208	21,761	26.47	1,556

Mr. ANDREWS. Thank you, Mr. Chairman.

Mr. WHITTEN. While we are on that subject, Mrs. Boggs, a member of the Appropriations Committee, had prepared several questions for USDA to be answered for the record. We will ask you to do that at this point.

[The questions and responses follow:]

WOMEN AND UPWARD MOBILITY

Mrs. BOGGS. How many women have moved into higher grade target positions as a result of your agency's Upward Mobility Program?

RESPONSE. The USDA Upward Mobility Program, limited to the Washington, D.C., Metropolitan Area, has been in operation since FY 1974. Since that time, 81% of the placements into higher grade target positions (181 out of 223) have been women. Following is statistical data:

	Placements made	Number of women
College study program	67	58
Job opportunities and skills training (JOST)	44	36
Career opportunities program (COP) and Operation Upgrade (OU)	112	87
	223	181

In addition to the programs above, the individual agencies of the Department have their own upward mobility programs but no statistics are kept centrally.

PARTICIPATION OF WOMEN IN THE EXECUTIVE DEVELOPMENT PROGRAM

Mrs. BOGGS. How many women have been selected to participate in your agency's Executive Development Program?

Response. Two of the thirty participants in the Department's Senior Executive Service Candidate Development (SESCDP) are women. The percentage of women in the SESCDP (6.7%) is about twice the percentage of women in the eligible grade level (GS–15) in the Department of Agriculture. An "outreach effort," as part of the SESCDP, is designed to recruit an additional three participants from among women and minorities.

MANAGEMENT DEVELOPMENT PROGRAM

Mrs. BOGGS. Do you have a Management Development Program? If so, how many women have been selected for it?

Response. USDA program agencies are responsible for managerial development. There is no centralized management development program. Seventy-five women have been selected to partiicpate in management development programs administered by USDA agencies.

NUMBER OF WOMEN ABOVE GS–9

Mrs. BOGGS. Why do you show such a significant drop in representation of women above the GS–9 level?

Response. One reason we show a significant drop in representation of women above the GS–9 level is because a significant number of our key occupations have a positive education requirement in subjects that women have not traditionally been educated in. More and more women are now seeking education in these fields so the picture should change in the future. Examples of key occupations requiring specific education include: Economist, Biological Technician, Entomology, Range Conservation, Soil Conservation, Soil Conservation Technician, Forestry, Forestry Technician, Soil Science, Accounting, Veterinary Medical Officer, Animal Health Technician, Engineering Technician, Civil Engineer and Chemistry.

EMPLOYMENT OF WOMEN IN MISSION RELATED OCCUPATIONS

Mrs. BOGGS. What are the main mission related occupations of your agency? What efforts are you making to assure representation of women in these occupations, which generally have the best promotion potential?

RESPONSE. The main mission related occupations of USDA include: Economist, Biological Technician, Entomology, Range Conservation, Soil Conservation, Soil Conservation Technician, Forestry, Forestry Technician, Soil Science, Accounting, Veterinary Medical Officer, Animal Health Technician, Engineering Technician, Civil Engineer, Chemistry, Food Program Specialist, General Administrative and Clerical Series, Computer Specialist, Administrative Officer, Plant Quarantine and Pest Control, Agricultural Management, Loan Specialist, Food Inspector and Agricultural Commodity Grader. These account collectively for about 60 percent of the total USDA population.

In our efforts to assure representation of women in these "key" series, we are establishing a tracking and evaluation system whereby we can monitor agency personnel actions and pinpoint areas where there is greatest under-representation and/or under-utilization of women in specific series and require agencies to establish goals to improve their statistics in those pinpointed areas.

The ones having the best promotion potential are: Food Program Specialist, Loan Specialist, Food Inspector, Administrative Officer, and Computer Specialist. The reason is because women can more readily qualify for these positions.

SKILL UTILIZATION

Mrs. BOGGS. We know that many women in clerical positions hold college degrees. What have you done to assure that you are fully utilizing your personnel? Have you conducted a skills survey?

RESPONSE. A skills survey of women in clerical positions holding college degrees was conducted in 1975 and, again, in 1978. We have worked with the Federal Women's Program Coordinator to establish a referral system for women identified in the skills survey to help assure that they are considered for appropriate vacancies as they occur. We also have held career information weeks, in cooperation with the Federal Women's Program Coordinator, to inform women in the Department of opportunities for advancement and opportuntes for career development.

IMPACT OF MODEL COMPETITIVE STAFFING SYSTEM

Mrs. BOGGS. The Office of Personnel Management is introducing a model competitive staffing system which will give your agency more flexibility and authority in the hiring process. Do you think that your employment profile for women will improve as a result of this new freedom?

RESPONSE. We expect that most of the larger USDA agencies will have a model competitive staffing system in place within the next 12–18 months. Since this system will permit us to more effectively target recruitment, we would expect an increase in the numbers of women employed in USDA occupations where they have been under-represented in the past.

AFFIRMATIVE ACTION GOALS FOR WOMEN

Mrs. BOGGS. Did you achieve your affirmative action goals for women last year?

RESPONSE. We have done some positive recruitment actions. Goals and timetables have been established for recruiting women in specific key occupational series.

Also, we have had a significant increase in the use of the Cooperative Education Program. We have increased from 237 women out of a total of 618 participants or 38.3 percent, in the Baccalaureate program in FY 1977 to 595 women out of a total of 1,372 participants, or 43.4 percent in FY 1979.

Associate and Graduate programs were added in 1978 and we have increased the participation in each of those as well. From 12 women out of a total of 31 participants, or 38.7 percent in the Associate program in FY 1978, we have increased to 31 women out of a total of 75 participants, or 41.3 percent in FY 1979. In the Graduate program we have increased from four women out of a total of 14 participants, or 28.6 percent in FY 1978 to 14 women out of a total of 40 participants, or 35 percent in FY 1979.

We have identified some high potential women who have been provided with executive development training.

ACTIONS BY DR. WALLACE

Mrs. BOGGS. In his memorandum to heads of departments and agencies dated November 17, 1978, President Carter stated that he expected to see "significant

improvements made in your department or agency as a result of your personal initiatives" (emphasis added). What have you personally done to improve women's employment & advancement in your agency?

RESPONSE. Dr. Wallace has personally urged the hiring of more women at all grade levels. We have increased the total permanent full-time GS employment from 24.84 percent in CY 1977 to 26.80 percent in CY 1979. We have also increased the numbers and percentages of women in grades GS–7 through GS–15 by the following amounts from CY 1976 to CY 1979.

Grade	Calendar year 1976		Calendar year 1979	
	Women	Percent	Women	Percent
GS–7	2,746	23.33	3,328	26.75
GS–8	304	20.52	357	22.42
GS–9	1,200	9.20	1,488	11.31
GS–10	15	6.57	21	8.23
GS–11	683	5.58	1,011	7.72
GS–12	400	4.60	589	6.29
GS–13	227	4.05	307	5.14
GS–14	81	3.16	93	3.47
GS–15	19	1.58	35	2.74

Dr. Wallace has also established a task force and hired a consultant to develop a planning, tracking and evaluation system so we could pinpoint the most critical areas or underrepresentation and monitor the progress in improving the statistics.

Dr. Wallace has made several speeches before agency managers and has spoken in the Management Council meetings urging the hiring and promotion of women.

FEDERAL WOMEN'S PROGRAM

Mrs. BOGGS. What are you doing to assure that your supervisors and managers recognize and are held accountable for their responsibilities to the FWP?

RESPONSE. We are implementing new performance standards which make managers and supervisors accountable for improving the hiring and promotion opportunities for women. We are also tracking any progress made and will hold management accountable for not meeting goals established in the respective affirmative action plan for fiscal year 1980.

MEDIAN GRADE LEVEL FOR WOMEN

Mrs. BOGGS. What is the median grade level for women in your agency? For men? How does this compare with the government as a whole?

RESPONSE. In December 1979, USDA completed a survey for the median grade level equating women to 6.11 and men to 9.76. In comparison the government-wide November 1978 survey, women are higher by .06 and men are lower by .25; their study showing women 6.05 and men 10.01 as the median grade level.

SEXUAL HARASSMENT POLICY

Mrs. BOGGS. How are you implementing the Office of Personnel Management's policy statement on sexual harassment?

RESPONSE. Secretary Bergland has issued a memorandum to all employees endorsing OPM's policy statement on sexual harassment. In the memorandum Secretary Bergland stated that sexual harassment would not be tolerated; that employees who engaged in sexual harassment would be disciplined; and that supervisors or managers who failed to take action on such complaints would also be disciplined.

In addition, it is planned to furnish employees practical advice on how to cope with sexual harassment and the complaint channels open to them.

The Department of Agriculture is incorporating a module of instruction on sexual harassment in its course, Basics of Supervision (BOS). In addition, the subject of women as managers is addressed in the course, Advanced Manager's Workshop (AMW).

Mr. WHITTEN. Mr. Hightower?

NEW PERMANENT POSITIONS REQUESTED

Mr. HIGHTOWER. Thank you, Mr. Chairman.

Mr. Hjort, I notice in your statement you say that, with regard to the FY 1981 budget request for the Office of Budget, Planning and Evaluation, you are asking for $300,000 for six permanent full-time positions for improving the legislative program and reporting process. Several times during my brief tenure on this Committee in regard to the needs of the Department of Agriculture, we have run into the statutory limit for employees. Where are these six permanent, full-time positions going to be taken from?

Mr. HJORT. They are covered in the proposals that we have made for fiscal year 1981. What the secretary receives each year in final negotiations on budget, program and so on, is a total number of permanent, full-time positions departmentwide. Those, then, are allocated based upon the recommendations that the President has in his budget, the recommendations to the Congress. So, they are in there in that context.

Now, as you, I am sure, know, the total permanent, full-time positions for fiscal year 1981 is essentially the same as fiscal year 1980.

Mr. HIGHTOWER. That is my point. Where are these coming from?

Mr. HJORT. So, there are some increases in some agencies and decreases in others. The major decrease this year is in the Soil Conservation Service.

Mr. HIGHTOWER. So, perhaps we are taking six people from Soil Conservation Service or someplace else where there is a decrease and getting six in this legislative program.

Now, I am not sure that I understand, and I have tried to pay attention when you were explaining, just what these people will do. Will they be responding to my office, say, in regard to questions about legislation? Is that one of their duties, these people in the legislative program?

LEGISLATIVE PROGRAM AND REPORTING PROCESS

Mr. HJORT. Mr. Hightower, we have at the present time 13 employees located in the Office of Budget, Planning and Evaluation. That is the central point where bills that have been introduced—they will review and distribute about 30,000 bills that are introduced to the various committees. The committees in turn refer them to the department, usually with the request for a report. It is kind of like a post office. I think that is best described that way at the present time. It is the central place for these to be received——

Mr. WHITTEN. You mean like the present post office or the one we used to have?

Mr. HJORT. Well, the present one is starting to make money, I understand. Ours is not making money.

Mr. HIGHTOWER. If I introduce a bill tomorrow in the field of agriculture and it is referred to the legislative committee on agriculture, then some of the people on this staff will get it and they will decide what the department's position is on that bill?

Mr. HJORT. Normally what they will do is they will get it. They will log it in. They will say: now, what unit in the department is best pre-

pared to prepare a report on this measure. So, then it will be sent there for the development of the draft report. Then the report will come back. They then have a responsibility to see to it that the draft of that report is reviewed by the various offices in the department that should do so.

That is what I mean that it is kind of like a post office operation. It comes here. It is moved out then to the place where there is the expertise on that kind of program.

Let us say this was a legislative proposal to amend the wheat program. It would very likely go to the Agricultural Stabilization and Conservation Service. They would prepare a draft report. It would come back. Then it would have to be reviewed by the under secretary for international affairs and commodity programs and by my office and others.

Mr. HIGHTOWER. How many people do you now have performing this function?

Mr. HJORT. Thirteen.

Mr. HIGHTOWER. And the workload is such that you think you need six more?

RESPONSE ON ENROLLED BILLS

Mr. HJORT. Yes, we do. And there is one change being proposed here in operating style. That is mainly coming from the enrolled bills. When an enrolled bill comes down, we have a very short turnaround time. We have been criticized by the Office of Management and Budget as having one of the worst records in all of Government in being back on time. This process of going to the agency and then having it come up through all of these different clearance levels is not a very efficient way to operate.

So, on enrolled bills, where we have made reports, we would expand the capability of this office to go ahead and draft the report on the enrolled bill right in the Office of Budget, Planning and Evaluation and then move it to the policy people for review in hopes that we can cut down our turnaround time and be responsive.

Mr. WHITTEN. Do farmers petition you for this?

Mr. HJORT. The AAM was down this morning petitioning me for hurrying up and finishing up reports on a lot of their proposals.

Mr. WHITTEN. Had we not better let you go ahead and look after the farmer?

I do not mean that it should not be done, but you are handling that type of thing ahead of your primary job: are you not?

Mr. HJORT. It is one of our primary jobs. A great number of these reports are bills that have been introduced to change farm programs in this way or that way.

DEVELOPING POLICY POSITIONS

Mr. HIGHTOWER. One of our frustrations up here, Dr. Hjort, as I am sure you are aware, is that sometimes we are a long time hearing from the department and getting the department's position on some of these legislative matters. However, it has been my impression that this was not just an administrative function that was slow but delays in getting decisions from the policymakers.

If what you are saying is that there is a paperwork slowdown that is the cause of all this, how then can we improve that with six more people. If we have a hard time getting policy decisions because of the White House and the OMB and the various sub-cabinet committees that have to approve, then I do not know that we are going to be improving our situation by giving you new people.

Mr. HJORT. In any one of these situations, there is obviously some of both. In some cases it is a policy matter that has not been addressed, and it does take time to work it through the various levels of the system for approval. But——

Mr. HIGHTOWER. We have been taking the position that it is the State Department that slows us down, that the good guys down at the Department of Agriculture want to solve these problems; but it is those striped pants boys over at the State Department that are slow deciding what our international position is that makes it hard for us to get decisions.

Mr. HJORT. I am convinced that, with some relatively modest changes, use of communication techniques that are available to us but that we just have not had an opportunity to use, we can improve our service. Of these 30,000 that come down, there is a very high proportion of them that nobody is going to do anything with them; there are not even going to be hearings held. But we have got a system where, if a chairman of a committee requests a report on a measure, we have to make the report. We have to use the resources and the time and so on.

TURNAROUND TIME

Mr. HIGHTOWER. About what is the turnaround time? Suppose Chairman Foley sends a bill down and says: what is the department's position on this? How soon under ordinary circumstances could he expect a response?

Mr. HJORT. The chairman of a legislative committee will put down a measure. There have been some very rapid turnaround times. But I suppose, even with very aggressive effort, to be able to do so in two weeks would require very special care.

Mr. HIGHTOWER. You think with six more people and $300,000 that that can be lowered, say, to two days?

Mr. HJORT. On enrolled bills, we have 24 hours. On enrolled bills we are convinced, just because we have made some modifications within our own resources, enough to be convinced that we can get that down to where we can be responsive on that kind of a basis. But you cannot do it if we send it out to the agency of concern and it goes down through seven levels and comes back through seven levels; it just will not work that way. It has got to have personal attention. Somebody is going to have to take the responsibility to see to it that that report is moved and cleared through.

Mr. HIGHTOWER. What GS level will these six positions be?

Mr. HJORT. Well, they are relatively low grades. Nine through 14 is the career ladder. Most of these that we have requested would be 14, at a high enough level so that they can interact and be familiar with the policies so that we do not have to have the uncertainty that goes along with people, that are unfamiliar with what the policies are, trying to write the letters.

Mr. HIGHTOWER. Well, I had not been aware that you really have a problem in this area. As I am sure you know—and I am not trying to give you a hard time about it—one of the things that bothers us the most is the fact that it takes so long for the policymakers to make decisions on such issues as setaside, loan target levels, whether or not there is going to be paid diversions, and things like this that are policy decisions in areas that are so important for the farmer.

If you are asking for some money to help expedite some policy decisions, I sure would be happy to be supportive.

Mr. HJORT. Well, it will. And I am not being facetious on that.

It is a common perception that it is the policy people that are not moving. Usually, if that is the case, the reason they are not is that they do not have an adequate basis upon which to make a policy decision. That means the staff work on that particular measure has been inadequate.

LEGISLATIVE REPORTING SYSTEM

We operate this legislative reporting system—we have, at least—in a manner that is essentially designed to see to it that you get the poorest possible basis for a decision. It goes on down to essentially the lowest level employee in the department, the person least likely to know what the policy position of that particular administration or that policy management team is, in the department or in the administration.

We do have a responsibility for policy analysis right in the Office of Budget, Planning and Evaluation. If we could have just a little increase and just a little additional resources, I think we can provide a better basis for these policy decisions. We can provide the information that is directly relevant to that policy decision.

As you know, I am involved in that process constantly. But the fact is that most of the reasons for delay on a decision such as setaside is because the basic material and the basic information and the analyses that are needed to get to a decision just take too much time, and too frequently they are inadequate.

Mr. HIGHTOWER. And all of that is not in the Department of Agriculture either, is it?

Mr. HJORT. Well, not all of it. But we do end up—the other way of looking at this is that the Department of Agriculture is about the only agency of Government that does have a capability to do these analyses.

Mr. HIGHTOWER. No, but I mean the holdup on some of the decisions that you make. Maybe they do not have enough support people in OMB or some of these other councils, too; is that right?

Mr. HJORT. Many time, I think they have too many people over there, but, be that as it may——

Mr. HIGHTOWER. That really confirms what I have been thinking Mr. Chairman, I have one more question. I am not sure that this is really germane to these particular things that Mr. Hjort is here to testify about.

I would like to ask you this, and it is not in regard to the yearbook.

SUSPENSION OF GRAIN SALES TO RUSSIA

Do you think, in your opinion, that the administration now is making good, that we are making good on our promise to farmers that they would not suffer from the embargo of grain sales to Russia?

Mr. HJORT. Well, I think we have the authorities and the tools to do so. Prices did slip off after that; immediately after the suspension, and then they recovered on the basis, I think, of restraint on the part of producers throughout the country, combined with the information that was flowing out on what steps we were taking. But, frankly, I do not think we moved quickly enough with the purchase program, and those prices did slip off over the last two to three weeks.

Yesterday we announced that we were going to be moving in now, and on Friday we will make our first offer to purchase wheat. By mid-March, we will begin to purchase that corn. We will do so on a regular basis. That announcement itself did have a positive impact on farm prices yesterday.

I do think that we should have moved more quickly. Again, it was a matter of some technical details and so on. We assume the contractual obligations. They are written, and they do have Russian specifications in them. We had to work with the industry to get them converted to general specification contracts.

I do believe that, with this purchase program, we will see the commitment being honored.

Mr. HIGHTOWER. Thank you very much.

Mr. WHITTEN. Mr. Andrews?

REPORT ON RECONSTITUTED MILK

Mr. ANDREWS. I have just one question.

On the comments you made, you said the agriculture group was down asking you for a number of reports. Let me ask for one, too. I understand that you are going to have the economic impact statement complete on the Community Nutrition Institute's proposal on reconstituted milk. It ought to be done today or tomorrow. When it is done, could you send a copy by my office?

Mr. HJORT. Yes, but you have sources that I do not. I did not think they were quite that close yet.

Mr. ANDREWS. I heard that you were getting that close.

In any event, whether it is ready today or tomorrow or next week, I would appreciate your sending a copy by.

Mr. HJORT. We will do so.

Mr. ANDREWS. Thank you, Mr. Chairman.

Mr. HIGHTOWER. Mr. Jenrette had prepared a question which we will ask you to answer at this point in the record.

[The question and response follow:]

PROMOTE FORMATION OF COOPERATIVES

Mr JENRETTE. Mr. Hjort, quoting from your prepared statement, you've said that, "The Secretary has made a commitment that the Department will have the capability to respond to undue price enhancement complaints and monitor agricultural cooperative activities for any possible undue price enhancement. This function will be separated from promotional work with cooperatives."

Would you describe in detail, the actions taken thus far by the Department of Agriculture to promote formation of cooperatives, and to promote the purposes of the cooperatives?

Could you tell us what further actions are contemplated with respect to the previous question?

RESPONSE. Since the passage of the Cooperative Marketing Act of 1926, the U.S. Department of Agriculture has had a Unit devoted to the servicing of farmer cooperatives. From the Act, the program developed has had basically four missions. These briefly are:

1. To do research on cooperative related issues and topics.
2. Provide technical assistance to existing or newly organizing cooperatives.
3. Collect and disseminate statistical information on farmer cooperatives.
4. To provide educational information on cooperative principles to farmers, legislators, and the general public.

The closest the Department comes to actual promotion of agricultural cooperatives is making widely available educational and informational publications on cooperative principles and organizations.

The Cooperatives Unit is now in the process of opening three new field offices to work more closely with newly organizing cooperatives. These offices will be located in Alabama, Kentucky, and Maine. The Unit now has field offices in North Carolina and California. Each field office works directly with a number of cooperatives on organizational, management, financial, and membership problems. We have found this an effective and efficient way to assist these emerging cooperatives and further increase their chances for success.

Mr. HIGHTOWER. Thank you, Mr. Hjort and Dr. Wallace. We appreciate your testimony.

The committee will stand adjourned.

[The prepared statements and explanatory notes follow:]

DEPARTMENTAL ADMINISTRATION

Statement of Joan S. Wallace, Assistant Secretary for Administration
Before the House Appropriations Subcommittee on
Agriculture, Rural Development and Related Agencies

Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to appear this morning to discuss with you the budget request for Departmental Administration and the Working Capital Fund for fiscal year 1981. As you know, the Departmental Administration provides funding for all the administrative staff offices of the Department. Today I will be talking about those areas under my jurisdiction--Operations and Finance, Personnel, Equal Opportunity, Safety and Health Management, Management Staff, and the newly established Office of Small and Disadvantaged Business Utilization. Mr. Hjort will address the Office of Budget, Planning and Evaluation and the Capper-Volstead Monitoring Staff. Mr. Webster will appear at a separate session to discuss the Office of Governmental and Public Affairs.

FY 1981 Budget Request

The 1981 budget request for Departmental Administration is $23,760,633, an increase of $3,195,453 above the current estimate for 1980. Of that increased amount, $1,686,291 is for the Office of Governmental and Public Affairs, $356,000 for the Office of Budget, Planning and Evaluation, and $200,000 for the Capper-Volstead Monitoring Staff. This leaves an increase of $953,162 for my programs and within that amount only $671,162 is for program increases. The remaining $282,000 is for anticipated increased operating expenses necessary to sustain present performance levels. We believe this is a modest budget increase which will enable us to provide necessary services to our constituents, the Department's program agencies.

HIGHLIGHTS OF CURRENT INITIATIVES

Before I turn to the specifics of the budget request, I would like to talk briefly about the challenges which Departmental Administration faced during the last year. We have had to meet increasing workload pressures both from within the Department and from outside agencies. The Department's programs continued to grow in scope and complexity. As the Department's largest service organization, we are required to provide increased services in the areas of centralized accounting; data processing; procurement; space; communications and property management; equal employment opportunity complaint and civil rights investigations; safety and health management; and personnel services.

The passage of the Civil Service Reform Act, the Ethics in Government Act, the Amendment to the Small Business Act, and the acts prohibiting discrimination for tne handicapped and the aged have had a profound impact on our workload and, in some instances, have required the realignment of our resources to meet our expanded responsibilities. Further, the increased number of directives issued by the central Agencies--such as the Office of Management and Bucget, the General Services Administration, the Equal Employment Opportunity Commission, the Department of Labor, the Office of Personnel Management and the Treasury Department -- have substantially increased the Departmental Administration workload.

I feel that we have not only successfully met the challenges in the areas described, but we have improved our ability to provide service to the program agencies by developing new, more efficient, cost effective systems. I would like to mention a few examples of our responses.

A staff of safety and health management experts was set up in FY 1978 to monitor and encourage agency efforts in the prevention of job related accidents and illnesses. Prior to the creation of this staff, the Department had one of the poorest safety records in the Federal Government. Agency programs to correct problems were extremely weak. During FY 1979, our Office of Safety and Health Management developed systems to log and identify the causes and costs of all accidents and injuries occurring within the Department's overall safety program. Anticipated reductions in job-related accidents will result in substantial savings in reduced disability compensation.

We are continuing to implement the Civil Service Reform Act. Performance appraisal, candidate development, probationary periods, and merit staffing systems have been put into place for the Senior Executive Service. We are in the process of establishing performance appraisal and merit pay systems for the remaining Departmental employees. Further, I chair a Civil Service Reform Steering Committee made up of six agency heads who advise me on the implementation effort.

The Office of Operations and Finance, participating with agency financial managers, has continued to improve the cash management program which resulted in a savings of $17 million in 1979. When this program is fully implemented, it should result in savings in interest costs to the Federal Government exceeding $30 million a year. For example, we are working with Farmers Home Administration and the Department of Treasury to set up local depositories at 600 banks where county offices are located. When this system is implemented, the float and processing time for depositing loans payments will be reduced and will result in savings of approximately $100,000. We are now engaged in a project related to debt management in response to a White House initiative.

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The Management Staff has developed a USDA Annual Management Plan for implementation this year to increase the visibility of Department-wide management improvements and foster greater sharing of effective methods and concepts among agencies. This is expected to result in greater awareness and wider use of management improvement methods.

The accounting for FNS, FSQS, and four regions of the FS was incorporated into the Central Accounting System at the National Finance Center in New Orleans. The remainder of the Forest Service was incorporated into the system on October 1, 1979. The incorporation of these agencies into the system represents a major step forward in USDA's effort to centralize all accounting functions on modern, cost effective computer equipment.

The Department continues to stress colocation of field offices as a method of reducing overhead and providing more effective and accessible services to program participants. During 1979, 762 Agriculture Offices and facilities, involving 4,682 employees were established or relocated. Eighty percent of the facilities were in rural areas.

In 1979, an additional 112 offices were colocated. This brings the total number of colocations to 1,790 and the overall percentage of counties colocated to 61%. In addition, another 795 counties, 27%, are partially colocated, bringing the total of complete or partial colocations to 87%. Colocation plans projected another 70 colocations in 1980 and an additional 124 in the 1981-82 time frame.

We have implemented an Equal Employment Opportunity Planning and Evaluation System designed to inform agency officials at all levels about their equal employment opportunity status on a quarterly basis.

We can now report the following progress in this area: At the close of FY 1977, women accounted for 24.8 percent of all USDA permanent full-time General Schedule employees. At the close of calendar year 1979, women accounted for 26.8 percent of all permanent full-time General Schedule employees, having increased from 19,745 to 21,961. Minority permanent full-time General Schedule employees rose from 8,156 in September 1977 to 9,341 in December 1979. Percentage-wise over this period, minority employment rose from 10.3 percent to 11.4 percent of total full-time employment.

Finally, I'd like to talk about productivity. The Department of Agriculture has a very good record in productivity management. USDA work measurement records cover 69,450 employees who perform 131 activities in 19 agencies and go back 12 years. An analysis of these records shows that the Department has achieved 1.8% annual improvement in productivity while improvement for the Federal Government as a whole and for the "service" segment of the private sector are 1.4% and 1.2% respectively.

The challenge before us is to improve productivity. This is particularly important in a period, such as the present, when we must constrain the budget and respond to demands for increased services and programs at the same time. One way to meet this challenge is by subjecting more activities to work measurement. This will allow us to pinpoint areas where productivity may be improved. It also allows us to measure the results of management innovations and, if they do improve productivity, to promote their transfer elsewhere in the Department. Five offices in USDA participated recently in a Government-wide, one-year pilot test by the Office of Personnel Management of a system to measure productivity in personnel offices. Other initiatives of this type to measure activities that are common

to a large number of offices such as procurement and mail and messenger service, are also under consideration.

I would like to note a specific example of productivity improvement. Documents processed in the National Finance Center during FY 1979 reflected an increase of over a million documents (15 percent) totalling 11,200,000. At the same time, a comparison of document processing costs shows a continued decrease from $3.71 per document in FY 1975 to $1.87 in FY 1979. Staff years expended for document processing, documents per staff year have increased from 5,441 in FY 1975 to 10,559 in FY 1979. Improvement in NFC productivity has not been at the expense of systems responsiveness. Average time required to process payments after receipts of documents at the NFC remains comparable to prior years.

USE OF THE FY 1981 BUDGET REQUEST

As I stated earlier, we are asking for a relatively small budget increase for expansion of programs. Specifically, the additional resources would be used in the areas of procurement, implementation of Civil Service Reform, civil rights investigations, and grants and agreements management.

OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION

During 1979, a new staff office - the Office of Small and Disadvantaged Business Utilization - was established in response to the amended Small Business Act (P.L. 95-507) as well as the need to provide for full participation of small and disadvantaged business in the Department's procurement, grant and loan, and bank programs. This Office was staffed and funded by redirecting funds and moving minority business functions from the Office of Equal Opportunity and the procurement function relating to small business from the

Office of Operations and Finance. We used the flexibility given us last year to provide a meager staff.

Within the resources available this year, we will operate at a minimum level. The law requires that we must establish procurement goals for small and minority-owned businesses and monitor compliance. In order to do this we must train over 400 Department procurement officers and managers to increase awareness of the requirements of the Small Business Act, and continue information and liaison activities with USDA agencies, the Small Business Administration, and the Inter-agency Counsel of Minority Business.

An additional $106,796 is requested for FY 1981 to provide for contracted training, extensive reviews and evaluations of agency policy and program delivery at headquarters and field locations, and to assure the integrity of procurement practices in the administration of the amended Small Business Act.

CIVIL SERVICE REFORM

An increase of $292,366 is requested to insure proper implementation of the Civil Service Reform Act requirements. In line with the Act, we have delegated additional authorities in staffing and classification to the agencies within the Department. Specifically, the funds would be used by the Personnel Management Evaluation Division of the Office of Personnel to adequately monitor Agencies' implementation of these increased delegations. A large number of Personnel Management Evaluation reviews--54 agencies both headquarters and field locations are being conducted by this Division in FY 1980. It is essential that actions recommended and required by these reviews be followed-up with the agencies. Increased resources will provide the necessary follow-up capability for reviews

conducted in Fiscal Year 1980, as well as the resources to fully analyze FY 1980 Personnel Management Evaluation review finds to determine Agency and Departmentwide trends and patterns, identify the more serious areas requiring Department attention and assistance, and to accomplish special reviews and studies necessitated by these analyses in FY 1981.

Although the Civil Service Reform Act has impacted greatly on the Office of Personnel, we have absorbed all other workload resulting from the Act such as the implementation of the Senior Executive Service, the Executive Resource Board Staffing, the Performance Appraisal System, Personnel Planning System, and the increase in employee appeals by redirecting funds.

CIVIL RIGHTS INVESTIGATIONS

For the area of civil rights investigations, we are requesting an increase of $140,000. Currently, the Department has over 40 programs and nearly 100,000 recipients covered by Title VI of the Civil Rights Act of 1964. In addition, newly mandated areas of discrimination involving sex, marital status, handicap and age have greatly increased the requirements of the investigative staff. The anticipated number of complaints to be processed for FY 1980 is 375; and for FY 1981 approximately 400. Within the currently available resources, the Office of Equal Opportunity will only be able to investigate a maximum of 120 requests.

The requested increase will enable this office to complete 120 in-house investigations, and 90 contract investigations of the total 400 anticipated requests for investigation, leaving a backlog of 190 requests.

GRANTS AND AGREEMENTS MANAGEMENT

We are also requesting an increase of $132,000 for improving the Department level management of grants and agreements. Recently the Congress has assumed more interest in the overall management of Federal contracts, grants and agreements through the passage of the Federal Grant and Cooperative Agreement Act of 1977 and the extension of the Joint Funding Simplification Act of 1974.

The resources would be used to implement the new Grant and Agreement Legislation (P.L. 95-224); provide USDA direction for eliminating "Federal redtape" through more timely analysis and implementation of OMB policies on grants and management; and undertake a feasibility study to define the requirements and needs of a Department grants management information system.

During the past two years, the Office of Management and Budget has conducted a study pursuant to this Act. The study was required by the Congress for the purpose of "developing a better understanding of alternative means of implementing federal assistance programs," and "determining the feasibility of developing a comprehensive system of guidance for federal assistance programs." OMB is required to submit its findings to Congress this year. The Office of Operations and Finance has been working with OMB on a pilot program to develop an automated Government-wide system that will provide grant information to state and local governments. We do not presently have a Department-wide system. Therefore, it is necessary to perform a study to develop the requirements necessary for the agencies to input the data elements specified by OMB and Congress.

WORKING CAPITAL FUND

The Working Capital Fund is used to finance those services to USDA agencies which the Secretary determines can be performed more effectively as central services. The Working Capital Fund offers overall costs savings due to economies of scale, reduced overhead, and elimination of duplication of effort by the agencies. Estimates for Working Capital Fund activities are based on our best projection of the level of services to be requested by the agencies of the Department. These services provided include: central payroll, personnel, accounting, upward mobility, executive development, voucher payments, provided by the National Finance Center; operations of the Department's computer centers; motion picture, photographic and other visual information services; and other central services including supply, duplicating, mail and messenger, and certain personnel training programs.

The 1981 budget request for the Working Capital Fund provides for an obligation limitation of $67,844,000, an increase in obligation limitation of $4,861,000.

$2,080,000 is requested for the National Finance Center. This increase would be used for the implementation of the motor vehicle information system, expansion of the AMS and APHIS billings and collections activities; the expansion of the property management information system; implementation of the revised payroll/personnel system; and the inclusion of the Agricultural Marketing Service, Federal Grain Inspection Service, and the Office of Transportation in the Central Accounting System.

An increase of $53,000 is requested to provide increased program planning and development capability of film and video production. This increase is for the Office of Governmental and Public Affairs. Mr. Webster will address this issue when he testifies later this week.

Finally, $2,278,000 is requested for increased operating costs including $161,000 for annualization of pay increase effective in Fiscal Year 1980.

Mr. Chairman, that concludes my statement. I will be happy to answer any questions you may have at this time.

OFFICE OF BUDGET, PLANNING AND EVALUATION

And

CAPPER-VOLSTEAD MONITORING STAFF

Statement of Howard W. Hjort, Director of Economics,
Policy Analysis and Budget before the House Appropriations
Subcommittee on Agriculture, Rural Development and Related Agencies

Mr. Chairman, I am here today to discuss with you and members of the Subcommittee two increase items included in the fiscal year 1981 Departmental Administration budget request. The first is for the Office of Budget, Planning and Evaluation, and the second is for the newly proposed Capper-Volstead Monitoring Staff.

Office of Budget, Planning and Evaluation

The Office of Budget, Planning and Evaluation is a focal point which is relied upon by both the Executive Branch and the Congress for accurate and up-to-date financial estimates and other information concerning the Department's programs. It also has the responsibility for coordinating the development of impact analyses that provide the basis for policy and program decisions. The office has a tradition of carrying out its responsibilities efficiently with minimum resources. While various functions have been transferred in or out of the office over time, the basic core responsibilities for budget, program review, policy analysis and legislative matters have remained constant and have been carried out without significant staffing increases.

FY 1981 Budget Request for OBP&E

However, the fiscal year 1981 budget request for the Office of Budget, Planning and Evaluation is $3,562,819, an increase of $356,000 above the

current estimate for 1980. This includes $300,000 and six permanent full-time positions for improving the legislative program and reporting process.

At present the process for the development of legislative programs and preparation of legislative reports is highly decentralized and inefficient. Interim improvements are being developed for implementation in fiscal year 1980. However, full responsiveness to Departmental, Congressional and White House requirements will require much closer monitoring and tracking of the status of legislation in the Congress and the status of legislative programs and report preparation within the Department. Computer support would provide the capability for the status tracking needed to improve the timeliness of our legislative reports.

In addition, considerable time could be saved and the quality of reports could be significantly improved by developing policy guidance outlines for use by agencies in preparing legislative reports. This could be accomplished by having all reports initially reviewed and analyzed by a centralized program and policy staff and by maintaining a reference file of policy positions recommended for legislative proposals.

We believe that considerable time can be saved and the quality of reports improved with the additional six staff-years required to carry out these initiatives.

The remaining $56,000 is for increased operating costs including $25,000 for annualizing the FY 1980 pay increase, $26,000 for mail costs and $5,000 for printing and reproduction.

Capper-Volstead Monitoring Staff

Now I would like to discuss the budget request of $200,000 and six positions for the Capper-Volstead Monitoring Staff which we are proposing

to establish in FY 1981. This staff would have the responsibility for carrying out the monitoring and enforcement procedures under the Capper-Volstead Act, which requires the Secretary of Agriculture to take legal action against a co-operative which has unduly enhanced prices through monopolization or restraint of trade.

The Secretary has made a commitment that the Department will have the capability to respond to undue price enhancement complaints and monitor agricultural cooperative activities for any possible undue price enhancement. This function will be separated from promotional work with cooperatives. All hearings regarding possible undue price enhancement will be conducted under the terms of the Administrative Procedures Act, and final decisions in any case will be made by the Judicial Officer.

Specifically the new staff would provide the coordinating, monitoring, and investigative resources necessary to support this activity. Information on activities by cooperative associations which may unduly enhance the price of an agricultural product may come from agencies within the Department, other federal agencies, or from interested members of the public. Such information would be reviewed and analyzed by the staff and if appropriate, cease and desist orders would be drafted for cooperatives found to be engaging in monopolization or restriction of trade.

As I stated previously, we believe an additional six staff-years and $200,000 will be required to perform this work.

Mr. Chairman, that concludes my statement. I will be happy to answer any questions you may have at this time.

DEPARTMENTAL ADMINISTRATION

Purpose Statement

The Departmental staff offices provide staff support to the top policy officials of the Department and overall direction and coordination to the work of USDA's program agencies to ensure the efficient and effective management and operation of the Department.

Activities carried out by Departmental staff offices include:

-- Overall administration of the budgetary affairs of the Department, and direction of the Department's program evaluation and planning activities;

-- Staff and support services to agency programs in the management of real and personal property, procurement, contracts, and other administrative functions; overall administration of the Department's financial affairs including the operation of central payment and accounting systems; and leadership in planning and operation of the Department's automated data processing resources;

-- Planning and coordination of public participation in the decision making process of the Department;

-- The personnel management program of the Department;

-- Coordination and supervision of equal opportunity responsibilities in the Department's programs and employment;

-- Direction and supervision of the Department's public information activities and coordination of intra- and intergovernmental affairs;

-- Management and administration of safety and health activities of the Department;

-- Leadership in planning and administering the Department's management improvement and review programs;

-- Oversight of all procurement activities to assure maximum participation of small and disadvantaged business procurement process; and

-- Coordination, monitoring and investigation of agricultural cooperative activities for any possible undue price enhancement.

These functions are performed under the general authority of the Secretary to supervise and control the work of the Department as contained in the Organic Act (7 U.S.C. 2201-2202).

Central Services. In addition to the staff activities indicated above, the Departmental staff offices provide certain central services to the agencies of the Department. These services are financed under the Department's Working Capital Fund (7 U.S.C. 2235) and include personnel, central accounting, payroll, voucher payments, billings and collections, supply, reproduction, visual information and computer services.

A detailed explanation of these activities is presented at the end of this section in the Working Capital Fund section.

Geographic Location. The staff offices financed from the appropriation are all located in Washington, D. C. Central services financed through the Working Capital Fund are provided by the National Finance Center located in New Orleans and by the Department's computer centers located in Washington, D.C., Kansas City and St. Louis, Missouri, and Fort Collins, Colorado. As of September 30, 1979, there were 1,798 full-time employees and 413 part-time employees in the staff offices included under Departmental Administration, including 863 permanent full-time and 41 part-time located in Washington, D.C.

DEPARTMENTAL ADMINISTRATION

Available Funds and Staff-Years
1979 and Estimated 1980 and 1981

Item	Actual, 1979		Estimated Available, 1980		Estimated Available, 1981	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries and Expenses	$19,028,948	445	$20,565,180	522	$23,760,633	544
Obligations under other USDA Appropriations:						
Health services for the Department	68,303	3	226,892	11	242,394	11
Consideration of formal employee grievances and adverse action appeals	67,986	3	177,000	5	177,000	5
Upward Mobility Program	125,291	3	110,271	3	121,298	3
USDA Newsletter	62,559	2	98,400	2	108,000	2
Consolidated orders	96,081	- -	246,000	- -	246,000	- -
Visitor Information Center	34,807	3	105,350	4	105,350	4
Executive Development Program	119,785	3	109,572	2	109,572	2
Department vacancy announcements	11,554	- -	16,500	- -	16,500	- -
Honor Awards Ceremony	18,972	- -	31,781	- -	31,781	- -
Television production	145,187	- -	150,000	- -	150,000	- -
General interagency training	114,045	1	154,988	1	154,988	1
Ethics in government	14,236	- -	80,065	2	84,408	2
Legislative materials	21,000	- -	21,000	- -	21,000	- -
Senior Executive Development Program	- -	- -	372,000	4	372,000	4
Assistance provided by OBP&E to FNS, World Food and Agricultural Outlook & Situation Board	69,801	- -	- -	- -	- -	- -
Building Maintenance (Patio & Plant/4th Court Parking)	21,997	- -	23,457	- -	25,803	- -
Small Business procurement training	- -	- -	28,000	- -	- -	- -
Management support services provided by staff offices for WCF activities	1,502,433	68	1,632,000	74	1,632,000	74
Miscellaneous reimbursements	1,479	1	5,000	- -	5,000	- -
Working Capital Fund:						
Supply, reproduction and central services	8,372,798	233	9,480,000	218	10,013,000	218
Motion picture, photography and other visual information	2,837,792	47	2,935,000	51	3,426,000	51

Item	Actual, 1979		Estimated Available, 1980		Estimated Available, 1981	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
National Finance Center	27,690,843	966	28,895,000	1,062	30,952,000	1,062
ADP systems	19,341,560	263	21,673,000	284	23,453,000	284
Total, Working Capital Fund	58,242,993	1,509	62,983,000	1,615	67,844,000	1,615
TOTAL, Other USDA Appropriations	$60,738,509	1,596	$66,571,276	1,723	$71,447,094	1,723
TOTAL, Agricultural Appropriations	$79,767,457	2,041	$87,136,456	2,245	$95,207,727	2,267
Other Federal Funds	- -	- -	- -	- -	- -	- -
Non-Federal Funds						
Photographic services	3,709	- -	24,000	- -	24,000	- -
TOTAL, Departmental Administration	$79,771,166	2,041	$87,160,456	2,245	$95,231,727	2,267

End-Of-Year Employment:	1979 Actual	1980 Estimated	1981 Estimated
Permanent Full-time	1,798	1,881	1,948
Other	413	390	390
TOTAL	2,211	2,271	2,338

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DEPARTMENTAL ADMINISTRATION

Permanent Positions by Grade and Staff-Year Summary

1979 and Estimated 1980 and 1981

Grade	1979			1980			1981		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-6	1	- -	1	1	- -	1	1	- -	1
ES-5	2	1	3	2	1	3	2	1	3
ES-4	19	- -	19	19	- -	19	19	- -	19
ES-1	2	- -	2	2	- -	2	2	- -	2
GS-15	47	7	54	49	9	58	52	9	61
14	84	30	114	80	30	110	87	30	117
13	113	60	173	123	62	185	129	62	191
12	95	110	205	99	109	208	99	109	208
11	50	87	137	40	91	131	40	91	131
10	1	9	10	1	9	10	1	9	10
9	66	50	116	61	51	112	61	51	112
8	20	31	51	17	35	52	17	35	52
7	91	90	181	95	95	190	97	95	192
6	68	67	135	56	80	136	58	80	138
5	67	169	236	70	167	237	70	167	237
4	68	194	262	32	223	255	32	223	255
3	17	77	94	29	64	93	29	64	93
2	3	4	7	6	4	10	6	4	10
1	2	- -	2	2	- -	2	2	- -	2
Ungraded positions	131	15	146	150	18	168	150	18	168
TOTAL Permanent Positions	947	1,001	1,948	934	1,048	1,982	954	1,048	2,002
Staff Years:									
Permanent	861	910	1,771	934	1,048	1,982	954	1,048	2,002
Other	37	233	270	39	224	263	40	225	265
TOTAL	898	1,143	2,041	973	1,272	2,245	994	1,273	2,267

DEPARTMENTAL ADMINISTRATION

Classification by Objects

1979 and Estimated 1980 and 1981

		1979	1980	1981
Personnel Compensation:				
Headquarters		$12,112	$14,258	$15,837
11	Total personnel compensation	$12,112	$14,258	$15,837
Other Objects:				
12	Personnel benefits	1,107	1,357	1,481
21	Travel	315	431	498
22	Transportation of Things	40	12	12
23.1	Standard Level User Charges	1,104	1,123	1,203
23.2	Other Communications and Utilities	635	558	690
24	Printing & Reproduction	2,290	3,176	3,631
25	Other Services	2,499	2,924	3,629
26	Supplies & Materials	249	242	260
31	Equipment	560	96	147
Total other objects		8,799	9,919	11,551
Total Obligations		20,911	24,177	27,388
Position Data:				
Average Salary, GS positions		22,080	23,725	23,929
Average Grade, GS positions		9.83	9.91	9.99

DEPARTMENTAL ADMINISTRATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Departmental Administration

For Budget, Planning and Evaluation, and Public Participation, [$3,916,000] $3,808,819; for Operations and Finance, Personnel, Equal Opportunity, Safety and Health Management, Management
1 Analysis, and Small and Disadvantaged Business Utilization, $9,958,173; for Governmental and Public Affairs, including the dissemination of agricultural information and the coordination of information work and programs authorized by Congress in the
2 Department, [$7,772,000] $9,793,641; for Capper-Volstead Monitoring, $200,000; making a total of [$19,423,000] $23,760,633 for Departmental Administration to provide for necessary expenses for management support services to offices of the Department of Agriculture and for general administration of the Department of Agriculture, repairs and alterations, and other miscellaneous supplies and expenses not otherwise provided for and necessary for the practical and efficient work of the Department of Agriculture, of which not to exceed $10,000 is for employment under 5 U.S.C. 3109, and not to exceed [$2,340,000] $2,748,000 may be used for farmers' bulletins and not less than two hundred thirty two thousand two hundred and fifty copies for the use of the Senate and House of Representatives of part 2 of the annual report of the Secretary (know as the Yearbook of Agriculture) as authorized by 44 U.S.C. 1301: Provided, That in the preparation of motion pictures or exhibits by the Department, this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C.
3 2225); [Provided further, That no part of this or any other appropriation contained in this Act may be used to reimburse the General Services Administration in excess of $750,000 for publications distributed by the Consumer Information Center.]

The first change reflects recent organizational changes involving the general responsibilities and authority for Small and Disadvantaged Business Utilization functions previously finance under the items for Operations and Finance and Equal Opportunity. This change was made pursuant to P.L. 95-507 and revised delegations of authority published in the Federal Register (Vol. 44, No. 38438) dated July 2, 1979.

The second change in language relates to the establishment of the Capper-Volstead Monitoring activity purusant to P.L. 67-146 and revised delegations of authority published in the Federal Register (Vol. 44, No. 131) dated July 6, 1979. The new activity will be concerned with the detection and prevention of undue price enhancement activities of cooperatives.

The third change deletes language which limits the amount of reimbursement to the General Services Administration for publications distributed by the Consumer Information Center. Deletion of this language will provide significant flexibility to efficiently and effectively disseminate agricultural information to the public.

DEPARTMENTAL ADMINISTRATION

Appropriation Act, 1980		$19,423,000
Budget Estimate, 1981		23,760,633
Increase in Appropriation		+4,337,633
Adjustments in 1980:		
Appropriation Act, 1980	19,423,000	
Activities transferred from Agricultural Stabilization and Conservation Service a/	+57,180	
Activities transferred to Office of Inspector General b/	-23,000	
1980 Supplemental Appropriation for pay costs	+1,108,000	
Adjusted base for 1980		$20,565,180
Budget Estimate, 1981		23,760,633
Increase over adjusted 1980		+3,195,453

a/ Pursuant to the memorandum of agreement approved April 4, and August 23, 1979, certain responsibilities relating to emergency preparedness were transferred from the Agricultural Stabilization and Conservation Service to the Office of Governmental and Public Affairs. Actual transfer of funds of $57,180 were made in 1980. On a comparable basis the full annual cost of the activity including pay costs is $60,015 for 1980 and $61,183 for 1981.

b/ Pursuant to the memorandum of agreement approved February 23, 1979, functions related to the provision of procurement services were transferred from the Office of Operations and Finance to the Office of the Inspector General. Actual transfer of funds of $23,000 were made in 1980. On a comparable basis the full annual cost of the activity including pay costs is $24,579 for 1980 and $24,610 for 1981.

SUMMARY OF INCREASES AND DECREASES
(On the basis of adjusted appropriation)

Item of Change	1980 Estimated	Program Changes	1981 Estimated
Budget, Planning & Evaluation	$3,206,819	+$356,000	$3,562,819
Operations and Finance	2,806,764	+199,306	3,006,070
Personnel	2,183,730	+339,109	2,522,839
Equal Opportunity	2,334,189	+181,372	2,515,561
Small & Disadvantaged Business Utilization	251,847	+115,153	367,000
Governmental & Public Affairs	8,107,350	+1,686,291	9,793,641
Capper-Volstead Monitoring	- -	+200,000	200,000
All Other	1,674,481	+118,222	1,792,703
Total Available	20,565,180	+3,195,453 a/	23,760,633

a/ Includes a total increase of $673,000 for anticipated increased operating costs in order to effectively sustain performance levels for continuing programs. Includes a total increase of $139,000 for the portion of pay increase effective in FY 1980 which were absorbed in FY 1980 but which are necessary to carry out the programs proposed in FY 1981.

PROJECT STATEMENT
(On the basis of adjusted appropriation)

Project	1979	1980 (Estimated)	Increase Or Decrease	1981 (Estimated)
1. Budget, Planning and Evaluation	$2,492,757	$3,206,819	+$356,000 (1)	$3,562,819
2. Public Participation	171,395	241,000	+5,000 (7)	246,000
3. Operations and Finance	2,667,145	2,806,764	+199,306 (2)	3,006,070
4. Personnel	1,700,575	2,183,730	+339,109 (3)	2,522,839
5. Equal Opportunity	2,097,031	2,334,189	+181,372 (4)	2,515,561
6. Safety and Health Management	724,300	822,300	+69,208 (7)	891,508
7. Management Analysis	534,121	611,181	+44,014 (7)	655,195
8. Small & Disadvantaged Business Utilization	- -	251,847	+115,153 (5)	367,000
9. Governmental & Public Affairs	8,024,109	8,107,350	1,686,291 (8)	9,793,641
10. Capper-Volstead Monitoring	- -	- -	+200,000 (6)	200,000
Unobligated balance	617,515	- -	- -	- -
Total available or estimate	19,028,948	20,565,180	3,195,453	23,760,633
Transfer to OIG	+113,000	+23,000		
Transfer from OSEC	-19,000	- -		
Transfer from ASCS	-17,948	-57,180		
Proposed supplemental for pay increase costs	- -	-1,108,000		
TOTAL, Appropriation	19,105,000	19,423,000		

Explanation of Program

This appropriation provides funding for the following activities:

Budget, planning and evaluation - This activity includes general responsibility and authority for all matters related to the Department's budgetary affairs including all phases of acquisition, distribution, and control of funds; budgetary and legislative review and reporting; formulation and promulgation of Departmental budgetary, legislative, program review and analysis, and program evaluation systems; development of comprehensive long-range program plans; and policy analysis and staff assistance for the Secretary, general officers and other Department and agency officials.

Public Participation - This activity provides a focus for public participation in the operations, activities and decision-making processes of the Department; it assures that all sectors of the public which are impacted by a policy decision are provided an opportunity to comment on new policy; reviews public participation plans for all significant regulatory actions; and develops and maintains the Department's regulations covering reimbursement of public witnesses appearing at agency proceedings.

Operations and Finance - This activity provides overall policy direction and coordination of Departmentwide accounting, fiscal and other financial activities; coordination of the Department's paperwork management program; staff and support services to agency programs in the managemnt of real and personal property, contracts, grants, agreements, business assistance, supply, transportation, motor vehicles, telecommunications, physical security, correspondence, records and mail; and leadership in designing, acquiring

and utilizing the Department's ADP resources as well as operation of the Department's computer centers. Also included is the management of central services related to payroll, voucher payments, accounting, supply, printing and reproduction, composition, and mail and messenger services for agencies in Washington, D.C.; and the provision of management support services in the areas of budget, finance, procurement and other administrative services for the Office of the Secretary and Departmental staff offices.

Personnel - This activity includes responsibility for the personnel management program of the Department; leadership, supervision and coordination of the implementation of the provisions of the Civil Service Reform Act, classification and standards; salary and wage administration; employment and manpower planning; personnel and records security; standards of employee conduct; discipline; employee relations; employee appeals; employee development; program evaluation; incentive awards; labor management relations; personnel legislation; employee fringe benefits; the Upward Mobility Program, and other personnel activities. Also included are personnel services provided to the Office of the Secretary and Department staff offices.

Equal Opportunity - The major objectives of this activity, under the authority of the Civil Rights Act of 1964 and subsequent Executive Orders are to effectively plan, coordinate, implement and evaluate programs which are designed to assure equal opportunity for all persons without regard to race, color, sex, age, or national origin who participate in and benefit from USDA programs; to assure Equal Employment Opportunities for USDA employees and applicants and to assure the processing of complaints of discrimination in the execution of the Department's programs. This involves review, analysis and evaluation of agency programs and operations to determine compliance with policies, rules and regulations of the Department and the Federal Government.

Safety and Health Management - This activity provides overall leadership, coordination and implementation of policies, standards, techniques and procedures including: the development of human resources and rehabilitation programs, the improvement of the working environment and operations review and analysis of the safety and health activities to identify and control the productivity constraints of work tasks. Emphasis will be placed on technical assistance to agencies to counteract hazardous environmental conditions and employee practices.

Management Analysis - This is the application of modern management techniques to USDA program and staff operations. The Management Staff formulates policy and procedures for an effective management program in the Department. It administers this program by reviewing agency management policies, procedures, and systems for conformance to Departmental policy and by providing consulting assistance to agencies to assist in the resolution of specific problems. The Staff reviews delegations of authority and organizational plans developed by agencies and staff offices, and coordinates the approval process for changes in organizational structure. It administers Departmental procedures for the control of commercial and industrial activities, and reviews and recommends approval or disapproval of the use of outside management consulting services in the Department. The Staff advises and assists agencies in the implementation of work and productivity measurement systems and in the development of management improvement programs. It

conducts special studies as requested by the Assistant Secretary for Administration, and maintains liaison with the Office Management and Budget and other executive branch agencies on all management programs.

Small & Disadvantaged Business Utilization - This activity provides the maximum opportunities to small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals to participate in the Department's procurement activities; it assures Department-wide liaison, coordination and assistance in the development and implementation of policies and procedures related to small and disadvantaged business programs specifically in the areas of procurement contracts, minority bank deposits and grant and loan activities.

Governmental and Public Affairs - This activity provides coordination of programs involving governmental and public affairs and emergency preparedness; maintains liaison with Congress and the White House on legislative matters; and provides assistance to the Secretary of Agriculture in the development and execution of Department information policy and programs. This involves the provision of general direction and supervision of all publications of the Department including final review, illustrating, printing and distribution; clearance and release of press, radio, television, and magazine materials; maintenance of central files of news and general illustration-type photographs and color slides; and the preparation and distribution of exhibits. It also includes publication of the Yearbook of Agriculture, the annual report of the Secretary of Agriculture and the Department List of Publications; handling the details of distributing farmers' bulletins allotted to Members of Congress; and servicing letter and telephone requests for general information received in the Department.

Justification of Increases and Decreases

An increase of $356,000 for budget, planning and evaluation consisting of:

(a) An increase of $25,000 for the FY 1980 pay increases.

(b) An increase of $31,000 for increased operating costs in order to effectively sustain performance levels for continuing programs.

(c) An increase of $300,000 for improved legislative program and reporting processes.

Need for Change. The present process for the development of legislative programs and preparation of legislative reports is highly decentralized and ineffective. Interim improvements are being developed and implemented for use in FY 1980. However, full responsiveness to Departmental, Congressional and White House requirements will demand much closer monitoring and tracking of the status of legislation in the Congress and the status of legislative programs and reports preparation within the Department.

Nature of Change. Enhanced funding will provide for a small centralized program staff to initially review and analyze legislative proposals, and where necessary to assist agencies and policy officials in the preparation of legislative reports.

In addition, computer support will afford the capability to fully implement a status tracking system needed to improve the timeliness of the Department's legislative reports; and to develop and maintain an on-line reference file of policy positions recommended for legislative proposals.

Considerable time can be saved and the quality of reports improved with the additional six staff-years required to carry out these initiatives.

2. An increase of $199,306 for Operations and Finance consisting of:

(a) An increase of $21,000 for the FY 1980 pay increase.

(b) An increase of $46,306 for increased operating costs in order to effectively sustain performance levels for continuing programs.

(c) An increase of $132,000 for improved Department level management of grants and agreements.

Need for Change. Over the past ten years, there has been a concerted government-wide effort to simplify and standardize administration of Federal assistance programs. This was necessary because of the tremendous growth in the number of Government-wide Federal assistance programs throughout the 1960's and 1970's which now total more than 1,100 plus programs. USDA agencies administer over 95 separate assistance programs with annual budgets of about $15 billion.

Recently the Congress has assumed more interest in the overall management of Federal contracts, grants and agreements through the passage of the Federal Grant and Cooperative Agreement Act of 1977 (P.L. 95-224), and the extension of the Joint Funding Simplification Act of 1974. New Federal assistance management legislation is continuing to receive high priority.

In an effort to provide more effective management of grants and agreements, a policy unit was established with the primary responsibility to pull together all the Departmental level grant and agreement management policy functions and implement an effective Departmental regulation system under Title 4 of the Agriculture Administrative Regulations. This is a continuing and ongoing process that requires effective interpretation of laws, rules and regulations issued by OMB, Treasury, GAO or other cognizant agencies and converting these broad policies and directives into Departmental policies and procedures to implement these requirements.

Nature of Change. The requested increase will provide essential resources to:

-- Implement new Grant and Agreement Legislation (P.L. 95-224);

-- Provide USDA direction for eliminating "Federal red-tape" through more timely analysis and implementation of OMB policies on grants and management;

-- Fulfill our commitment to the President for improved cash management resulting from the recent USDA White House review;

-- Provide more in-depth financial policy formulation and review to assure that the Secretary and his staff maintain effective control over the grant activities of the Department; and

-- Undertake a feasibility study to define the requirements and needs of a Department grants management information system.

3. An increase of $339,109 for personnel management consisting of:

(a) An increase of $14,000 for FY 1980 pay increases.

(b) An increase of $32,743 for increased operating costs in order to effectively sustain performance levels for continuing programs.

(c) An increase of $292,366 for implementation of Civil Service Reform Act requirements.

Need for Change. The Office of Personnel has taken the lead in designing and implementing the processes and procedures necessary to effect the significant changes required by the Civil Service Reform Act of 1978. The required changes have over taxed the existing resources with which the Office of Personnel has carried out its continuing responsibilities in managing the Department's personnel resources.

The legislative initiatives in the areas of personnel management recently enacted by the Congress place an even greater responsibility on the Office of Personnel to assure that the mandate of Congress is met. Both the Ethics in Government Act of 1978 and the Civil Service Reform Act of 1978 will require increased efforts on Federal departments and agencies to account for the adequacy, effectiveness, and accuracy of internal programs and procedures.

Nature of Change. The requested increase provides adequate resources to carry out the will of Congress and the new requirements from the Office of Personnel Management for the decentralization of personnel authorities within the Department. The decentralization of these authorities, however, will require continuing monitoring by the Office of Personnel to assure that they are exercised properly and effectively within legal and regulatory definitions.

In fiscal year 1981, with the requested increase, the Office of Personnel will greatly expand its personnel management evaluation activities to include reviews of all agencies. The additional five staff-years will provide the evaluation teams increased liaison and guidance capabilities, more on-site evaluations, and improved technical assistance necessary to assure compliance with legislative requirements and Congressional intent.

4. An increase of $181,372 for equal opportunity programs consisting of:

(a) An increase of $20,000 for FY 1980 pay increases.

(b) An increase of $21,372 for increased operating costs in order to effectively sustain FY 1980 performance levels for continuing programs.

(c) An increase of $140,000 for essential services to effectively develop and enforce equal opportunity responsibilities under Title VI of the Civil Rights Act of 1964.

Need for Change. The Office of Equal Opportunity has full responsibility under Title VI of the Civil Rights Act of 1964, for the processing and investigation of possible cases of discrimination in the delivery of program services and benefits by USDA agencies and recipients of Federal financial assistance. Currently, the Department has over 40 Title VI programs and nearly 100,000 recipients covered by Title VI. In addition, newly mandated areas of discrimination involving sex, marital status, handicap and age, have greatly increased the requirements of the investigative staff. The anticipated number of complaints to be processed for FY 1980 is 375; and for FY 1981 approximately 400. Within the currently available resources, the Office of Equal Opportunity will only be able to investigate a maximum of 120 requests; the remaining requests will be referred to the program agencies.

Several problems are encountered by deferring to agencies the task of processsing program discrimination complaints:

-- The program agencies, the subject of the complaint, are being asked to investigate themselves (Approximately 50 percent of all complaints filed currently are processed by program agencies);

-- Compliance reviews conducted by program agencies most often reported negative non-compliance activity;

-- There is a conflict of interest where direct assistance programs are involved and the complaints have been made against agency personnel or policies;

-- An inadequate number of program agency evaluation reports are available to assess the level of minority group participation in USDA programs.

The need for extensive program development and enforcement is evident.

Nature of Change

Title VI Enforcement - To more effectively carry out its equal opportunities responsibilities under Title VI of the Civil Rights Act of 1974, the Office of Equal Opportunity proposes to increase its use of contract services. The work performed through contractual services will (1) provide for the development of background support data for use by the Department in making a final determination as to the existence of discriminating policies and/or practices in the final delivery of USDA program funds subject to the provisions of Title VI of the Civil Rights Act of 1964; and (2) develop computer-based programs for collecting and

evaluating data pertaining to minority, women and handicapped participation in USDA programs, in order to facilitate compliance with the Justice Department's government-wide guidelines for Federal civil rights enforcement procedures.

The requested resources will enable this office to complete 120 in-house investigations, and 90 contract investigations of the total 400 anticipated requests for investigation, leaving a backlog of 190 requests.

5. An increase of $115,153 for small and disadvantaged business utilization consisting of:

(a) An increase of $8,357 for increased operating costs in order to effectively sustain performance levels for continuing programs.

(b) An increase of $106,796 for the administration of recently enacted legislation for small and disadvantaged business utilization.

Need for Change. The Office of Small and Disadvantaged Business Utilization was established by Secretary's Memorandum No. 1992 dated June 26, 1979 and required by P.L. 95-507, to provide for full participation of small and disadvantaged businesses in the Department's procurement, grant and loan and bank programs.

A primary consideration in formulating this new centralized policy and operational staff was to (1) maximize the opportunities in the development of systematic procedures to improve the Department's minority business programs without lessening the importance of assistance to small business; (2) to provide department-wide liaison and coordination of activities with the Small Business Administration and (3) to provide direct assistance to the agencies in the execution of the amended Small Business Act.

In order to effectively implement and administer these initiatives, and the requirements of the amended Small Business Act, additional resources will be required in fiscal year 1981.

Nature of Change. The funds requested will provide the necessary resources to conduct extensive reviews and evaluations of agency policy, and program delivery at headquarters and field locations, to assure the integrity of procurement practices in the administration of the amended Small Business Act.

6. An increase of $200,000 for the monitoring of agricultural cooperatives for possible undue price enhancement.

Need for Change. The Capper-Volstead Act of 1922 permits farmers to act together to market their products without violating anti-trust laws. In addition it requires the Secretary of Agriculture to take legal action against a cooperative that unduly enhances price through monopolization or restraint of trade.

The Secretary has made a committment that the Department will monitor agricultural cooperative activities for any possible undue price enhancement; that this function will be separated from promotional work with cooperatives; that all hearings regarding possible undue price enhancement will be conducted under the terms of the Administrative Procedures Act; and that final decisions in any case will be made by the Judicial Officer.

Nature of Change. A small monitoring and analysis unit will be established to provide the coordinating, monitoring and investigative resources necessary to support Section 2 of the Capper-Volstead Act. Essential elements of the work of this staff will be:

Coordination

- Liaison with the major antitrust agencies of the Government - the Antitrust Division of the Justice Department and the Federal Trade Commission.
- Coordination of information within the Department.

Monitoring

- Defining and selecting markets to be monitored.
- Monitoring market prices in those markets for signs of possible undue price enhancement. This includes both short run price behavior and long run price levels.

Investigations and Complaints

Where evidence of possible undue price enhancement is found in the monitoring process, an informal investigation would be initiated. This would include:

- Obtaining price information for a specific cooperative dealing in the commodities identified.
- Deciding by appropriate criteria whether evidence of possible undue price enhancement exists.
- Obtaining information on possible monopolization or restraint of trade by the cooperatives.
- Drafting complaint or show cause orders to cooperatives in apparent violation of price enhancement restrictions ordering them to appear at a hearing to respond to charges.
- Where appropriate, drafting cease and desist order to cooperatives found to be engaging in monopolization or restriction of trade.
- Referring for prosecution, any cases where the cooperative does not follow the cease and desist order.

An additional six staff-years will be required to perform this work.

7. All additional changes consist of $102,222 for increased operating costs to sustain current performance levels of continuing programs, and $16,000 for pay costs absorbed in FY 1980 but necessary to carry out the continuing programs in FY 1981 as follows:

	Increased Operating Costs	Increased Pay Costs
Public Participation	- -	$ 5,000
Safety & Health Management	$66,208	3,000
Management Analysis	36,014	8,000
TOTAL	$102,222	$16,000

8. An increase of $1,686,291 for Governmental and Public Affairs consisting of:

(a) An increase of $43,000 for FY 1980 pay increases.

(b) An increase of $431,291 for increased operating costs in order to effectively sustain performance levels of continuing programs. This includes an increase of $408,000 for printing of the Yearbook of Agriculture and Farmers' Bulletins ($2,340,000 available in 1980). The requested increase will allow sufficient resources to meet the anticipated 16 percent rise in printing costs indicated by the Government Printing Office.

The remaining portion of the increase, $23,291 is requested for increased operating costs in order to effectively sustain performance levels for continuing programs.

(c) An increase of $625,000 for the distribution of free agricultural consumer publications through the Consumer Information Center of the General Services Administration.

Need for Change. The Consumer Information Center in the General Services Administration, established by Executive Order 1970, disseminates publications of interest to the public. The General Services Administration provides the staff salaries and operating expenses of the Consumer Information Center and bills all distribution costs to the agencies supplying the materials.

The USDA publications distributed through the Consumer Information Center are extremely popular and of particular interest to consumers. The 1979 summer sample of consumer requests for Consumer Information Center publications shows that more than one-fifth (31) of the 138 free publication titles offered were USDA publications. The top 3 publications of the 138 titles requested originated in USDA, 9 of the top 15, and 12 of the top 25, and 23 of the top 50. The Department has produced 46 percent of the 50 most popular publication titles requested from the Center.

The popularity of USDA publications has led to the rising reimbursements to the Consumer Information Center, which represent postage and handling costs only, not printing. The publications are distributed from the Center's centralized headquarters in Pueblo, Colorado, enabling reduced man-power needs and a short response. In addition, the Consumer Information Center provides advertising and promotion of essential information on such subjects as nutrition food assistance, the environment, and farm and rural programs.

The General Services Administration has indicated that the Department's share of distribution costs for fiscal year 1981 will be $1,493,000.

Nature of Change. In FY 1980, the Congress specified a limit of $750,000 for payment to GSA for distribution of publications from the Center and requested that this Department "work with GSA to insure the continued availability of the most important publications through the Consumer Information Center."

Recognizing that the distribution of helpful information is one of the most important responsibilities of the Department, and through a general program of providing fewer but better publications, the Office of Governmental and Public Affairs is requesting an increase of $625,000. The additional resources will provide for meeting currently estimated demands for agriculture publications assuming the policy of concentration on publications of greatest quality and potential for public use and benefit.

(d) An increase of $587,000 to create a better understanding of agricultural programs and to fulfill the public's need for agricultural education and information.

Need for Change. Congressional committees have often expressed concern about the need for better understanding among the general population of their dependence for food and fiber on the small segment of our population now on the farm. Previous reports have said: "Coupled with this is an equally serious misunderstanding of agricultural programs of soil, water and timber conservation."

The only organization within the Department of Agriculture that can coordinate the large volume of information available in the agencies and correct those misunderstandings is the Office of Governmental and Public Affairs. As a coordinating office, it provides information leadership, it synthesizes all kinds of program findings developed for specific use by the various agencies into forms consumers and farmers can use, and it relates subjects to the broad issues of the times.

The changing character of our time requires added strength to coordinate, to maintain the longstanding programs of the past, and to provide new educational information. The public will need ideas, techniques, and program understanding if it is to cope with the complicated issues of the present and of the future.

The proposed increase will provide information that will tune production to the needs and realities of markets; that will help farmers manage better through market analysis and information; that will shorten even further the time lag between research and use; that will provide educational information all people can use about energy, conservation of natural resources, inflation/economics, food and nutrition, food safety, international development, and rural development. Various agencies within the department develop programs on all these subjects, but there is a need now more than ever to bring them together into focus in meaningful forms for broad use.

Nature of Change. Some specific approaches that will help provide for that focus include:

- Develop materials to inform the public and various target audiences of the role of farming and agriculture in the national economic system. Included will be a series of booklets, slide sets, short television films and radio tapes on market innovations, farm management techniques, energy conservation, the nation's food system, in general terms, and farming specifically.

- Produce booklets, slide sets, films, and other training devices to increase understanding and to explain the changing economics of the American food system and the impacts of the various economic sectors on retail food prices.

- Establish an information program to work with national, state, and local organizations--consumer groups, farm organizations, women's groups, educational associations and other entities--to create a means for targeting the distribution of materials useful to the people served by those organizations.

- Expand the Department's participation in overseas radio programs to create a broad understanding of the nation's food and agriculture policies; explain domestically by all methods the importance of farm exports to the American economy.

- Establish an agricultural energy information resource center so that materials generated by the involved USDA agencies will have a central point for information activities; originate special materials especially for farmers, and generally to the consuming public, to explain agricultural needs and conservation methods.

- Sharpen the existing inventory of nutrition information; expand the inventory to other subjects in order to marshal land-grant universities and other groups into a cooperative publishing venture to avoid duplications and to share production costs.

- Develop a continual liaison with major magazine editors and freelance writers to emphasize programs of consumer interest.

- Produce a coordinated Spanish publication program and develop procedures and staff to handle and/or review Spanish language correspondence.

- Create an information program for those farmers who have less access to information than others. Develop publications and radio materials for small town stations to provide a broader means of access than now exists so they receive practical information about departmental programs and educational materials that bear on all aspects of farming and rural living.

STATUS OF PROGRAM

BUDGET, PLANNING AND EVALUATION

This activity includes leadership and direction in budgetary matters, internal management of the Department, and the performance of necessary staff work such as:

Preparation of budget estimates including:

-- Technical review and analysis of budget estimates and development of alternatives and supporting data for presentation to the Secretary;

-- Preparation of Department-wide budgetary and statistical statements and summaries;

-- Consolidation of materials for the estimates submitted to the Office of Management and Budget. Serves as liaison with OMB staff during their review of the Department's budget;

-- Preparation, in cooperation with the Department's agencies, of supporting justification for budget requests, for use by the Appropriations Committees of Congress in considering the President's Budget. Serves as liaison with staff of the Appropriations Committees during Congressional consideration of Departmental budgetary matters;

-- Preparation and consolidation of information requested by the Congressional Budget Office and Authorizing, Appropriations, and Budget Committees of the Congress, including special budgetary analyses, reports, and summaries and appropriation hearings tables;

-- Monitor the progress of each agency's budget from the initial planning stages to the actual obligation and expenditure of funds. Exercise control of agency spending consistent with OMB and Congressional requirements; and

-- Development and implementation of Departmental budget systems and procedures for budget development, presentation and execution.

Management and control of funds including:

-- Allotment and apportionment of appropriated funds;

-- Review of obligation and expenditure reports, particularly to assure that programs are carried out in accordance with the intent of the Congress, the requirements of the Executive Branch, and pertinent laws and regulations; and

-- Analysis of Department's manpower requirements and development of alternatives and supporting data for presentation to the Secretary.

Coordination of Budgetary and Program Review and Policy Analysis including:

-- Cooperating with USDA agencies and top policy officials of the Department in developing USDA program objectives and providing ongoing review and coordination to determine progress in meeting these objectives;

-- Providing comprehensive programmatic and policy analyses of program operations and related reorganization, legislative and budget proposals;

-- Coordinating, directing, and conducting policy evaluations, program strategy analyses and other staff papers to assist policy officials in formulating and implementing USDA objectives and programs;

-- Reviewing agency impact analysis for adequacy and recommend to the Director of Economics, Policy Analysis and Budget approval or improvement for final Departmental decision-making purposes. Includes review of legislative proposals and reports; and

-- Advising and assisting agency analytic staffs on the development and preparation of policy and program strategy studies, impact analyses and other staff papers prepared for Department policy officials.

Coordination of Legislative Program Development and Preparation of Legislative Reports including:

-- Review and distribution of approximately 30,000 House and Senate bills, resolutions, reports, and other legislative materials each Congress;

-- Preparation and maintenance of approximately 100 legislative histories in micro-form and maintenance of the Congressional Information Service System in microfiche of all the working papers of Congress, 1970 to date;

-- Tracking of over 2,000 bills of interest to USDA through the legislative process each Congress;

-- Daily preparation and distribution of a Digest of Congressional Proceedings of Interest to the Department of Agriculture when Congress is in session;

-- Assistance and coordination in developing a legislative program for the Department;

-- Assistance and coordination in the preparation of over 1,000 legislative reports each congressional session;

-- Annual publication of a Digest of Agricultural Legislation enacted each congressional session;

-- Preparation of periodic reports for key policy officials and program managers concerning the status of Agriculture legislative proposals;

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-- Coordination of the preparation, review and approval of report requests from the Congress, the general public, and others;

-- Liaison with the Office of Management and Budget, other Federal agencies, and the Congress on legislative reporting matters; and

Coordination and Monitoring of Regulatory Decision Systems and related Public Participation including:

-- Administers procedures and guidelines for impact analysis of proposed Departmental rule-making;

-- Monitors agency public participation programs to insure consistency with legal requirements, Department regulations, goals and policies;

-- Analyzes agency procedures and performance under the Department's decision-making process, and assists agencies in making necessary improvements;

-- Coordinates and directs publication of the USDA Decision Calendar;

-- Monitors agency follow-up on complaints and suggestions for improving regulations;

-- Provides a focus for all members of the public concerned with USDA decisions to aid in their understanding of the USDA decision-making system; and

-- Reviews decisions related to reimbursement of participants in rule-making proceedings to insure consistency with USDA legal requirements and USDA regulations.

OPERATIONS AND FINANCE

This activity provides leadership and supporting staff services in those areas encompassing general management and administrative functions of the Department including:

-- General responsibility and authority for all matters related to the administration of the Department's accounting and finance operations;

-- Formulation of Departmental financial policies, procedures and regulations;

-- Reviewing financial aspects of agency operations and proposals;

-- Representing the Department in contacts with the General Services Administration, the General Accounting Office, the Treasury Department, the Office of Management and Budget, and other organizations or agencies on matters related to assigned responsibilities;

-- Providing management support services in the areas of accounting, reporting, budget, procurement, personal property management, and other administrative services for the Office of the Secretary and other staff offices comprising Departmental Administration;

-- Contracting for and procurement of administrative and operating supplies, services, and construction;

-- Promulgation of Departmental policies and procedures in socio-economic programs related to contracting including Labor Surplus, Area Assistance, Labor Standards and Disadvantaged Business Assistance;

-- Selection, standardization and simplification of program delivery processes utilizing grants, contracts, and/or agreements;

-- Management of real property including space occupied by USDA operations;

-- Developing and administering the Department's personal property programs;

-- Telecommunications, mail and motor vehicle management;

-- Abatement of pollution at Federal facilities;

-- Administration of the Uniform Relocation Assistance Act;

-- Development and implementation of energy management actions related to the internal operations of the Department;

-- Formulation of Department Grants and Agreements Management policies, procedures and regulations;

-- Administration of the Department's records, forms, reports and directives management programs;

-- Providing centralized management of the Department's ADP program and resources including operation of the Department's computer centers which provide ADP services on large-scale computer systems in support of agency program requirements; and

-- Operation of certain central services (financed from the working capital fund) including payroll and personnel statistics, voucher payment, billings and collections, and accounting and reporting systems at the National Finance Center; automated mailing list operation correspondence referral and records management service for the Office of the Secretary; photo composition; mail policy and distribution service in Departmental headquarters buildings; forms

storage and distribution service nationwide for all agencies of the Department and supply service for all headquarters agencies; and copier/duplicating facilities and an In-House Printing Plant to service all agencies of the Department

Selected Examples of Recent Progress. Some recent accomplishments and new initiatives under this appropriation item are cited below by projects:

National Finance Center

. Central Accounting System(CAS) - During FY 1979, a major step forward was taken toward USDA's goal of a centralized accounting system for USDA when FNS, FSQS, and four regions of FS were incorporated into the system. In addition, the work required to incorporate the balance of FS was accomplished, and those regions were incorporated into the system October 1, 1979. The full implementation of FS, with the enthusiastic support and satisfaction with the system at all levels of FS management, demonstrates the effectiveness and responsiveness of USDA's CAS not only at Departmental levels but throughout the largest, most decentralized agency within USDA.

  Further implementation of the CAS is planned for this fiscal year. Systems requirements and implementation strategies are being developed for both FAS and APHIS. Implementation of these two agencies is planned for October 1, 1980.

. Productivity Increase - Total documents processed for FY 1979 reflect a 15 percent increase over FY 1978. Comparisons of documents processed with NFC cost, adjusted for Consumer Price Index, show that cost per document processed has steadily declined from $2.89 per document in 1976 to $2.03 per document in 1979. In terms of expended staff years used per document processed, the number of documents per staff year expended has increased from 6,135 documents per staff year in FY 1976 to 9,679 per staff year in FY 1979. Improvements in NFC productivity have not been at the expense of systems responsiveness. Average time required to process payments after receipt of documents at the NFC remains comparable to prior years.

. Payroll/Personnel System - A major project currently in progress is the complete redesign of USDA's Payroll/Personnel System. This system, originally designed and implemented on first-generation computer equipment (IBM 705) in 1962, has served successfully over the last 17 years. It has undergone several major modifications and conversions over the years; but has reached the point where a redesign is required. New develoment techniques are being employed, and the new system will utilize the more sophisticated access methods and data management functions now available in third-generation computer systems.

  Currently, NFC is in the programming and testing phases of the project. Implementation of the initial phases of the system is planned for FY 1980.

. Property Management Information System - The Personal Property System, which was the first subsystem of USDA's centralized Property Management Information System, was implemented for several smaller agencies. During FY 1979,

the system was augmented with the addition of the Mark Twain National Forest. Strategies have been developed for incorporating, on a periodic basis, the balance of USDA agencies into this system. The Personal Property System will provide a comprehensive system of inventory management by calculating and accruing depreciation, reporting excess property, and accounting for capitalized, leased, and sensitive property.

In FY 1980, FNS, FSQS, and a Forest Service Region will implement the system. Modifications were incorporated during the implementation to improve user needs. Upon completion of Department-wide implementation during FY 1984, inventory control, accountability and management information will be available for the Department's $500 million dollars worth of personal property.

The implementation of the Personal Property Subsystem in O&F and its serviced agencies has resulted in the following property management controls:

1. All property has been inventoried and marked.

2. Accountable property officers and Property Custodians have been appointed.

3. Over 100 personnel have been trained in property accountability.

The Real Property Information System is the second subsystem of the Property Management Information System. Phase I is designed to capture approximately 50 basic elements that would provide an adequate description for inventory and basic management information. The system will provide the uniformity necessary for computation of reports, reduce redundant data bases, and create agency data bases where they are presently nonexistent. Implementation plans have been formulated, and testing of the system is currently underway. During FY 1980, a systematic phase-in approach will be used to achieve implementation of all agencies into the Real Property Information System.

. Computer Equipment Conversion - In July 1978, NFC accepted for operation the first Central Processing Unit (CPU) of the Honeywell Computer System to initiate the replacement of the five IBM computers presently used by NFC to process USDA's Payroll/Personnel System, Central Accounting System, and a variety of other related financial applications.

The second CPU of the Honeywell system was installed in August 1979. With the addition of this second CPU, conversion plans for current IBM systems were accelerated. Complete conversion to the Honeywell system should be accomplished by FY 1981.

. Automated Vendor Invoices - The NFC processes for payment all commercial gasoline invoices for USDA's fleet of vehicles. Since the implementation of this system in March 1975, the NFC has aggressively pursued the major gasoline vendors to encourage them to provide automated invoices in lieu of hardcopy invoices. When vendors submit automated invoices, substantial savings are achieved at the NFC through reduction in handling, previewing, and data transcribing.

In early 1979, NFC maintained its persistent pursuit of the last major oil company not converted to automated invoices. This aggressive policy was rewarded recently when Shell Oil Company finally agreed to automate its invoices.

Several other Governmental agencies are presently studying USDA's Gasoline Credit Card Payment System in an effort to determine if they could adopt our payment system. Automated gasoline invoices, first conceived by NFC for USDA, could result in substantial processing savings throughout government.

The concept of automated vendor invoices is being applied to other transactions at the NFC with current plans being developed to automate telephone billings. Through discussions with AT&T representatives, strategies were developed to automate billings of the 23 Bell System subsidiaries, the long range goal being to receive a single tape from AT&T for all the Bell accounts. This will result in substantial processing economies since Bell accounts represent 60 percent of the USDA telephone bills (approximately 7,000 accounts).

Cash Management - During FY 1979, the office continued its cash management initiatives by conducting a review of cash management activities in the other agencies not included in the 1978 review; continued the emphasis on using electronic fund transfers for making grant payments to states including pilot testing of new Treasury TFCS-LOC system in several states and with the Eastern Band of Cherokee Indians in North Carolina; and initiated action in conjunction with the Treasury and the Farmers Home Administration (FmHA) to establish Treasury general accounts (TGA) at approximately 600 FmHA county office locations to be used as depositories for loan payments.

Grants Management - During FY 1979, the office developed regulations and implemented the Federal Grant and Cooperative Agreement Act (P.L. 95-224) of 1977; provided Departmental coordination and direct input to the Government-wide study to consider a comprehensive system of guidance for Federal assistance programs and alternative means for providing Federal assistance as required by Section 8, P.L. 95-224; revised USDA grant and agreement regulations to incorporate revised cost principles for education institutions (OMB Circular No. A-21), new grantee procurement standards under OMB Circular No. A-102 and began developing USDA regulations to implement new audit standards under A-102; provided technical assistance to the Office of the Inspector General and other program agencies and negotiated several requests for waivers for Department agencies from OMB and Federal Management Circular reguirements. The office began work on the feasibility and possible development of USDA grant and agreement information system for in-house use and to support a similarly proposed Government-wide system by OMB.

Telecommunications - Based on a feasibility analysis for the most cost effective approach to communications, a functional requirements document has been completed which will be used in soliciting a Departmental data communication service for the long range time frame. Until this capability is available, an interim network service is being used to alleviate current overload conditions and to support the new requirements. The feasibility of county level automation is being tested in the state of Illinois, using newly procured terminals and the interim network service.

A survey of installed telephone equipment during FY 1979 resulted in removal of excessive equipment Departmentwide at $99,716 reduction in costs. Policies will be issued during FY 1980 to establish centralized control of voice related communications equipment acquisitions.

Office Automation - Word Processing and Telecommunications have been combined into a single organizational unit in order to streamline areas of potentially overlapping responsibilities. A pilot electronic mail and filing system for agency use is being implemented. A preliminary Departmental Word Processing System Inventory has been established and a Departmental Word Processing Information Exchange Organization has been instituted.

Security - USDA security regulations have been revised to include OMB Circular A-71, TM #1, requirements. A security film featuring Secretary Bergland and Assistant Secretary Wallace has been made; it is the keystone of our comprehensive ADP security training program now well underway. Agencies show greatly increased concern for security and are developing tighter security programs. Contingency/emergency response planning will be addressed at the Department level starting in the second half of FY 1980.

Conservation of Energy - During FY 1979, the USDA Energy Management Plan was developed and implemented, approval was obtained to proceed with 104 photovoltaic demonstration projects, and an energy survey of all facilities larger than 30,000 gross square feet. Plans for FY 1980 include an energy survey of the Department's smaller buildings, participation in the Solar Federal Buildings Program, an expanded employee awareness program, improvements to the energy data collection system, and positive action to improve the fuel economy of the Department's motor vehicle resources.

Personal Property Management - In lieu of new procurements during FY 1979, USDA acquired $40,677,946 worth of excess property from GSA; transferred $849,888 worth of property between USDA agencies; and rehabilitated 3,061 pieces of excess furniture at an average cost of $28.00 per piece.

Location of Facilities in Rural Areas - The Department is required by the Rural Development Act of 1972 to give first priority to locating offices and other facilities in rural areas. This data is not yet available for FY 1979. However, during FY 1978, the Department established or relocated 635 facilities involving 5,171 employees. Of these, 512 facilities, involving 3,433 employees, were in rural areas.

Acquisition of Real Property - During FY 1979, the Department acquired 1.24 acres of improved property without cost to the Government. The property is located in Tonopah, Nevada, and will be utilized to house enrollees of the Young Adult Conservation Corps.

Disposition of Real Property - Removal of unneeded or outmoded facilities from inventory resulted in savings in protection and maintenance costs. FY 1979 data is not yet available; however, in FY 1978 the Department disposed of such facilities costing $710,647 and property costing $619,771 was declared surplus. In addition, in FY 1979 the Department reported as excess to the GSA 1,070.66 acres of land and 10 buildings.

Developing Use of Non-Government Resources - The Division coordinated Departmental participation in 20 Federal Procurement Conferences that provided small and minority businesses with a better understanding of Government contracting and with specifics on doing business with USDA.

Procurement Management - During FY 1979, we responded to 71 formal public inquiries, 17 Congressional inquiries, 3 Legislative reports and 4 Freedom of Information Action requests. Twelve draft segments (919 pages) of the Federal Acquisition Regulations and 3 proposed amendments to the Federal Procurement Regulations were analyzed as to their potential impact on USDA for the Office of Federal Procurement Policy and the GSA respectively. Two amendments to the Agriculture Procurement Regulations and 12 procurement notices were issued providing policy, procedures and guidance to USDA Agencies.

This Office actively participated with the Office of Federal Contracts Compliance Program and USDA Agencies in pursuing contracts compliance matters in implementation of E.O. 11246, provided condensed training courses in procurement for students from New Mexico Highlands University as well as representatives from the Government of Honduras and Peru; and issued 34 Departmental Blanket Purchase Arrangements that resulted in savings of approximately $386,000.

Competitive Procurements - During FY 1979, the Department completed competitive procurement for a new computer system. Sperry Univac was awarded the contract for installation of a large scale Univac 1100/82 computer system which replaced the Univac 1100/42 which was previously installed at the Fort Collins Computer Center. The competitively procured contract price represented a forty three (43%) percent discount over the GSA Schedule price.

Operations and Finance reopened negotiations on a contract for teleprocessing services awarded by a program agency resulting in a $1.8 million reduction of the original contract amount. During 1979, 3 other competitive procurements were awarded in excess of $1.9 million each. The aggregate total for competitive procurements was in excess of $12.1 million.

USDA Procurement Reporting System - The Office implemented and managed the USDA Procurement Reporting System--a system that collects selected data on all procurement actions over $10,000. Implementation of this system allowed us to relieve agencies of a significant portion of their procurement reporting.

Mail - A major renovation to the Central Mail Unit was begun during FY 1979. The renovation when completed in December 1979, will provide better security, more efficient processing of mail and a better working environment.

Automated Mailing System - A new initiative for FY 1980 will be to provide a complete new program for this system. The new system will provide an on line operation with the agencies having the capability of updating their lists. We also plan to have an output device in the USDA Printing Plant so that the lists can be run just before mailing with all the latest updates.

PERSONNEL

The Office of Personnel provides general liaison, direction, leadership, and coordination of the personnel management programs in the Department. This program includes position management, position classification, leave administration, personnel systems design, salary and wage administration, employment manpower planning, personnel and records security, employee conduct, discipline, employee relations, employee appeals, employee development, incentive awards, labor management relations, personnel legislation, personnel management evaluation, and other related personnel activities. The Office promulgates Departmental policies and procedures relating to these functions. The operational phases of this program have been substantially delegated to the Agencies; however, the Office of Personnel provides direct personnel services to the Office of the Secretary and Departmental Staff Offices.

The Civil Service Reform Act of 1978 was enacted on October 13, 1978, "to reform the civil service laws". The major accomplishments of the Office of Personnel during fiscal year 1979 involved the implementation of the Act. Significant activities include:

Personnel Management Evaluation (PME)

During FY 1979, the Office conducted 11 evaluations, participated in one, and reviewed 64 PME reports prepared by USDA Agencies or OPM. These evaluations are designed to strengthen personnel management in the Department and to identify and correct weaknesses in the administration of the Department's personnel program. The Staff will use the PME program to monitor Agencies' efforts to meet the many changes brought about by the Civil Service Reform Act. This will involve measuring the impact on mission accomplishment of increased managerial and supervisory involvement in personnel decisions. It also will involve ensuring that Agency personnel officials correctly exercise their increased delegations of personnel authorities. During FY 1980, evaluations will be conducted in field offices and the Headquarters of all USDA Agencies to permit early assessment of these concerns as well as permitting a general evaluation of the overall personnel management program. This will involve reviews of 26 Agency Headquarters and 28 field offices.

Labor Management Relations

The Office provides advice to the Agencies on all aspects of the Labor relations program with particular emphasis on the implementation of the new labor-management law P.L. 95-454. During fiscal year 1979, the staff reviewed and approved fifty-six labor agreements, to assure conformance with laws, regulations and personnel policies.

Employee Appeals

The staff actively participates in the processing of grievances, performance rating and classification appeals filed within the Department, provides information and interpretation of regulations relating to grievances, complaints and appeals, and resolves or advises employee complaints that are presented to the Department. During FY 1979 the staff processed 233 grievances and complaints, 34 classification appeals, 30 performance ratings and reviews.

Position Management

Two events caused by the Civil Service Reform Act of 1978 expanded the role of the Office of Personnel in the management of executive positions: (1) the establishment of the Senior Executive Service on July 13, 1979, and (2) the delegation to the Department by the Office of Personnel Management of classification and employment authority for supergrade and equivalent level positions. Effective as of July 31, 1979, the Office of Personnel terminated existing requirements for prior clearance of these personnel actions by the Director of Personnel and delegated this authority to the individual agencies of USDA. During the period September 30, 1978 through July 31, 1979, approximately 1,047 personnel actions were reviewed for compliance with classification, employment and position management requirements before being effected. These personnel actions included the following types of positions: Supergrade (GS-16, 17 and 18) and Equivalent levels, GS-14 and GS-15, Schedule C, Expert and Consultant, Agricultural Attachee and key administrative positions. (These personnel actions included conversions to the Senior Executive Service)

Senior Executive Service

A Civil Service Reform Act Implementation Group was established in the Office of Personnel during fiscal year 1979. The group provides program support to the ten Departmental Executive Resources Boards and nine Departmental Performance Review Boards set up to manage executive resources for the Secretary, including merit staffing and performance appraisal. Three hundred twenty executives, or 99% of those eligible, became charter members of the new ungraded personnel system. A performance appraisal system for senior executives was developed, the executives trained in the process, and the new system implemented for fiscal year 1980. A candidate development program for the Senior Executive Service was developed and will be implemented in fiscal year 1980.

Leave, Hours of Duty, Salary and Wage Administration

The Office of Personnel establishes policy and provides advice and interpretation to the Agencies on leave, hours and tours of duty, and salary and wage administration. During FY 1979, the Staff implemented the Compressed Work Schedules Act of 1978 consisting of four 10-hour days and the 5 4/9 Plan and will continue to monitor these schedules and deal with problems arising as the result of waiver of certain overtime provisions. The Senior Executive Service (SES) appointment and conversion system was inaugurated on July 13, 1979, requiring a number of changes and interpretations versus current appointment and pay terminology and processes. SES annual leave carryover eligibility was established and explanatory instructions furnished Agencies. This will be a continuing function to maintain and monitor. Saved grade and pay retention under the Civil Service Reform Act (CSRA) was implemented in April 1979 which necessitated new methods of recording grades and salaries for affected employees.

Personnel Systems

The Office of Personnel provides the USDA representative to work with the Office of Personnel Management on standardizing and improving the collection and utilization of personnel data. The MARS System, an on-line personnel data base management system is being expanded to accomodate an additional 150 personnel offices.

Position Classification

The Office of Personnel has provided advice and guidance to the Agencies on classification questions, handling 55 formal requests for such assistance during the year. The Office has trained Agency personnelists in the new Factor Evaluation System of classification and the interpretation of standards, and been involved in the development of classification and qualification standards.

Incentive Systems

The Office of Personnel provides advice and guidance on the use of monetary and honorary awards in recognition of employee performance. The office coordinates the Secretary's Annual Honor Awards Program which recognized 99 employees during fiscal year 1979 for Distinguished and Superior Performance. In addition, action was initiated to computerize awards data, which will result in a reduction of forms currently used.

Employee Development

The Office provides advice and guidance to the Agencies on the laws and regulations governing employee development. The Office administers and coordinates a continum of career development activities through the Upward Mobility Program, consisting of the General Educational Development Program, the College Study Program, and Job Opportunities and Skills Training Program; and general supervisory and managerial training.

The Office of Personnel conducted five interagency training programs to improve the performance of USDA supervisors, managers and executives during FY 1979, as follows:

Executive Workshop in Agri-Dynamics (EXAD)	177
Basics of Supervision (BOS)	310
Problem Solving and Decision Making (PSDM)	247
Activities of Management & Personnel Support (AMPS)	310
Advanced Manager's Workshop (AMW)	114

Security and Employee Relations

This program is designed to assure that all classified materials are properly safeguarded, that all employees and advisory committee members meet standards of loyalty and suitability and that all employees perform their duties in accordance with established regulations and standards of conduct. Revised conduct regulations for Department of Agriculture employees were issued in fiscal year 1979. These regulations strengthened the provisions affecting review of employees' financial statements resulting in more consistent and objective implementation of the conflict of interest program. A major revision of the Table of Disciplinary Penalties was also completed. This Table is used as a guide in proposing adverse action in employee misconduct cases. The revision covers a wider variety of offenses and provides greater flexibility in penalties. The requirements of the Ethics in Government Act of 1978 were implemented on a centralized basis, with all operational activities relating to the Act being performed in the Office of Personnel. Workload in other areas during fiscal year 1979 was as follows.

Security Clearance Actions	1425
Training Act Clearances	775
Foreign Travel Clearances	2550
Security Consideration of FBI Reports	50
NAC&L's Evaluated	950
Post Audit of Disciplinary Actions	125
Review of Conflict of Interest Forms	450
Adverse Actions Initiated	20
Advisory Committee Checks	450
Privacy Act/FOI Requests	60
OIG Reports Evaluated	250

Personnel Operations

The Office of Personnel provides a full range of direct personnel management services for the Office of the Secretary and the Departmental Staff Offices. These services include aiding offices in properly organizing, assisting managers in dealing with unions, advising on implementation of the equal employment opportunity program, and recruitment.

The FY 1979 workload included the following cases:

Classification Actions	655
Accessions	395
Promotions	357
Changes	992
Losses	209
Adverse Actions	15
Appeals	5
Retirement	40
EEO Complaints	20
Accident and Injury	101
Incentive Awards	103
Length of Service	135
Conflict of Interest	433
Debt Complaints	6
Grievances	26

Special Programs

The Office of Personnel provides coordination, development, implementation and evaluation of special programs of a Department-wide nature. This includes the Cooperative Education Program, Intergovernmental Personnel Assignments, Veteran activities, Presidential Management Intern Program, Stay-in-School Program and Summer Employment Program.

EQUAL OPPORTUNITY

The Office of Equal Opportunity (OEO) provides departmental leadership in assuring equal opportunity in USDA programs and employment. This work falls into three major areas:

-- Complaints and Appeals
-- Civil Rights
-- Equal Employment Opportunity

Complaints and Appeals

The Complaints and Appeals staff processes and investigates all complaints of discrimination involving delivery of program services and benefits by agencies within USDA and recipients of Federal financial assistance provided by the agencies.

During FY 1979, a total of 385 complaints were processed. Expanded bases for complaints of discrimination and greater awareness on the part of beneficiaries should generate about 400 complaints during FY 1980.

Field work was completed in selected States to evaluate existing State complaint processing systems. The survey included a review of the adequacy and capacity of the system, the qualifications and training of staff, report processing and patterns of administrative and/or disciplinary action taken. The survey will be completed early in FY 1980 and will be the basis for approving State handling of discrimination complaints made directly to State agencies and involving federally assisted programs operated by Department agencies.

Civil Rights Division

The Civil Rights Division (CRD) provides departmental leadership for all program compliance activity and for use of statistical systems for targeting and tracking program participation by minorities and women in USDA programs.

-- Follow-up reviews of the Virginia and Tennessee Cooperative Extension Service system revealed substantial civil rights deficiencies. Negotiations for corrective action have been initiated by the Office of the General Counsel, SEA and OEO. Compliance Agreements will follow.

-- A total of 21 civil rights compliance reviews were conducted of the Food Stamp and Child Nutrition Programs. In summary, the reviews disclosed that minimal outreach efforts have been made in the counties, civil rights compliance reviews had not been conducted, the non-discrimination statement was not included on informational materials, the "And Justice for All" poster was not prominently displayed, civil rights training had not been provided. Reviews of the Child Distribution Program disclosed there was overt identification of students receiving free and reduced price meals.

   The Civil Rights Division will monitor and follow-up the agency's corrective action.

-- Fifteen reviews of FmHA county and district offices were conducted by CRD Reviewers. The extent to which these offices were complying with provisions of the Equal Credit Opportunity Act and recommendations contained in OEO's "FmHA Compliance Review Evaluation Report", was examined along with Title VI requirements. In general, Title VI recipients, such as packagers, rural renting housing loan and recreation borrowers, were not aware of their responsibilities under Title VI of the Civil Rights Act of 1964 and regulation B of the Equal Credit Opportunity Act.

-- Current work planning includes reviews of several more State Cooperative Extension Services. Results of these reviews will determine whether States are voluntarily complying or whether formal enforcement action is necessary.

-- A total of 43 reports and special studies evaluating minority participation in USDA programs were completed in FY 1979. Major findings included:

  . Minorities comprised 56 percent of the persons participating in FNS family food assistance programs in 1978.

  . Minorities received 13.5 percent of all FmHA rural housing loans made in 1978 although they occupy 31 percent of all substandard housing in non-metropolitan areas.

  . Proportionately fewer minority operating units are involved in SCS programs yet once they become cooperators they tend to receive SCS technical assistance at a somewhat higher rate.

  . Minorities comprise a very small proportion of members of ASCS county committees, SCS soil and water conservation district boards and REA electric and telephone cooperatives boards.

  . The percentage of segregated 4-H clubs in racially/ethnically mixed communities rose to 23.2 percent in 1978.

  . Minority participation in the Cooperative Forestry Management Program and in use of FS developed recreational sites increased in 1978.

-- A total of 75 policy actions were reviewed for civil rights implications prior to implementation. This is a continuation of the Civil Rights Impact Statement system instituted in USDA in 1976. USDA is one of few Federal agencies to apply such a review to selected policy actions to assure adequate consideration of civil rights impacts in its decision-making processes. In general, the types of actions reviewed are those covered by environmental impact statements but also include agency reorganizations and office relocations.

-- The OEO Annual Report was published for USDA program managers, other government agencies and the public. It contained major statistical measurements showing the status of equal opportunity programs in USDA. This was the seventh such report. USDA remains one of the few Federal agencies to systematically publish equal opportunity program data.

-- Regulations prohibiting discrimination on the basis of sex in USDA-assisted education programs and activities were published. This action implements Title IX of the Education Amendments of 1972. A total of 32 USDA programs are covered by this regulation.

-- Proposed regulations prohibiting discrimination on the basis of handicap in USDA programs were published. When completed, this action will implement Section 504 of the Rehabilitation Act of 1973. Final USDA regulations will be published early in 1980.

-- Regulations to implement the Age Discrimination Act of 1975, which prohibits discrimination on the basis of age in Federal programs are being drafted and will be published in 1980.

-- Plans have been initiated to develop and conduct three "Outreach Seminars" designed to assure that knowledge of agriculture programs is extended to minority communities.

EEO Division

-- This Division is responsible for providing departmental leadership to assure equal employment opportunity for all employees and applicants for employment without regard to race, color, religion, sex, national origin, handicap, or age.

-- During FY 1979 the Division coordinated the new draft guidance and regulations from EEOC and provided technical assistance to agencies in complying with the new affirmative action mandates.

-- Federal Equal Opportunity Recruitment Program guidance was issued to assist agencies in complying with instructions from the Office of Personnel Management.

-- An EEO Evaluation and Planning System was installed to provide monitoring and evaluation of EEO program results.

-- An EEO staff was recruited and hired, allowing the office to provide more departmental guidance and direction.

-- Assistance was provided to Agency EEO personnel concerning the Federal Women's Program, Hispanic Employment Program, EEO Counseling and Complaint Processing, Uniform Guidelines on Employee Selection Procedures, Instructions on the Collection of Racial/Ethnic Data, and other EEO-related subjects.

-- The Division provided support to the task force on strengthening historically black colleges, established to assist agencies to implement the President's January 17, 1979 memorandum on strengthening historically black colleges.

-- The Division initiated development of a comprehensive system for recruitment of minorities and women. Components of the system consist of public notification, maintenance of a representative applicant talent bank, technical guidance and referral/tracking of job applicants.

-- Assistance was provided to approximately 100 applicants who submitted unsolicited applications for employment, 82% of which were completed by minorities and women from the private sector. All were referred to agencies to be considered for specific vacancies or were provided technical guidance on how to meet OPM certification requirements.

Major initiatives for the coming year include:

. Development and implementation of procedures for onsite evaluation of the EEO program.

. Development of EEO counselor training curriculum Department-wide.

. Increased participation in career-oriented activities sponsored by high schools, colleges and private organizations.

. Coordination of a Department-wide EEO conference for all EEO staffs.

. Continuance of special emphasis outreach activities; i.e., Federal Women's Week, Hispanic Heritage Week, Black History Week.

. Assistance to the Director of EEO in the planning, development, and conduct of meetings of the Secretary's Citizen's Advisory Committee on Equal Opportunity.

. Development and conduct of an "image-building" seminar at Tennessee State University in April 1980.

The Office received and processed 182 discrimination complaints in FY 1979.

SAFETY AND HEALTH MANAGEMENT

This activity provides for Departmentwide development, leadership and coordination of all safety and health programs to insure safe working conditions for USDA employees and to adequately assure that no employee will suffer material impairment of health as a result of hazardous work environments.

The Office of Safety and Health Management provides specialized technical and managerial leadership and assistance to agencies in the identification of safety and health problems; planning, development and implementation of injury and illness countermeasures; and overall program evaluation. Staff assistance includes the following technical functions:

-- Consultation, Research and Evaluation - Development and interpreting of safety and health standards; feasibility studies of engineering controls for workplace environments and hazardous agents; environmental and economic impact studies of safety and health program activities; and evaluations of effectiveness of agency programs. Significant accomplishments during fiscal year 1979 included:

. Conducted industrial hygiene surveys in grain elevators, Screwworm Eradiction Program, office facilities, cartographic unit activities, as well as responded to special agency requests on matters pertaining to occupational health and toxic substances.

. Coordinated with NIOSH a special occupational related stress study among USDA poultry inspectors, as well as conducted preliminary research on health effects among USDA personnel working with harmful and toxic substances (chemical carcinogens, biological agents, and pesticides).

. Facilitated and coordinated industrial hygiene studies with OSHA and NIOSH of USDA personnel exposed to toxic substances along international borders, as well as a special study of inspectors exposed to pesticides.

. Provided coordination and assistance to GSA in conducting an industrial hygiene and structural engineering survey of the Washington Computer Center.

. Initiated research on scientific data available on specific chemicals and pesticides for the development of policies, standards, and special procedures for handling and exposure.

. Development and implementation of Annual Evaluation and Tracking System Report for USDA safety and health programs. The project will establish the capability to measure and evaluate the status of any safety and health program element or group of elements for the Department, any agency or major agency subdivision.

. Evaluation of the investigation and reporting procedures of five serious accidents involving USDA employees. Guidance and recommendations on investigation and reporting activities were provided during the investigations as well as assistance in the identification of safety and health program deficiencies. On-site evaluations provide a basis for assessing the effectiveness and timeliness of agencies accident investigation and reporting of injury and/or illness data.

. Design of the Safety and health training evaluation project to provide managers with objective and accurate procedures for systematic evaluation of USDA safety and health training. The data base collected will allow for comparative analysis of training results to stated objectives.

-- Human Resources Development - Specialized training programs were conducted for grain elevator operations, meat and poultry inspectors, collateral duty personnel, alcohol and drug abuse coordinators, Basics of Supervision for safety and health management, chemical laboratory safety and health, and employee representatives. In addition, a special technical resource library was established for the Department.

-- Analysis and Information Systems - Developing problem identification methodologies; establishing information, gathering, processing and retrieval for analyzing biochemical, toxicological, epidemilogical, and related scientific and engineering data; automated storage and retrieval of USDA injury, illness, medical, and property damage data. During fiscal year 1979, an employee injury/illness data retrieval system was designed and implemented to provide safety and health managers direct data for analytical purposes. In addition, the staff conducted special analyses of selected agencies injury/illness reporting activities utilizing the Office of Workers' Compensation Program data, payroll data for continuation of pay due to on-the-job injuries and the "Supervisor's Report of Activities."

Current activities include:

. USDA Employee Complaint Reporting System:

Monitor agencies' systems for employee reports of unsafe/unhealthful working conditions.

. USDA Automated Health Monitoring System:

Planning and developing requirements for the design of an automated health monitoring system. This effort may result in a system model to be adapted for USDA agencies interested in implementing a health surveillance program. The objectives of this proposed system are the following: to develop the capability for collecting baseline clinical pathology data for appropriate USDA employees; to update

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the data base with employee data at designated time intervals; to report clinical profiles derived from analysis of collected employee data; and to make recommendations based on trends observed.

. USDA Accident Data Retrieval System:

The purpose of the project is to provide USDA agencies with an automated system through which they can produce bivariate reports from accident data.

. USDA Safety and Health Information System Improvement Project:

The purpose of the project is to provide computer programs and procedures to achieve the following:
1) to determine and improve the accuracy of accident data;
2) to retrieve and disseminate accident information; and
3) to develop new automated systems for the divisions.

-- Medical and Rehabilitation - Providing health units for all employees in Washington Area; conducting medical surveillance programs for employees exposed to toxic substances; coordinating rehabilitation programs for employees suffering from health and mental disorders; and facilitating preventative health care activities for employees.

During FY 1979, increased emphasis was placed on assisting the troubled employee. The program was expanded to include not only those employees with Alcohol and drug abuse problems, but also employees with behavorial problems. A Social Science Program Specialist was brought into the program to provide counseling in the Washington, D.C. area. It is anticipated that the employee assistance program will be available to troubled employees throughout the country.

A Health Monitoring program was established through the identification of high risk occupational groups employed by the Department. This program will provide sufficient data to managers to recognize potentially dangerous situations by indicating trends or abnormalities prior to the endangerment of USDA employees. In addition, a system was instituted for alerting employees of safety and health hazards in a timely manner. The alert system identified the hazard and provided direction in eliminating the hazard. During FY 1980, expansion of promotional programs will be undertaken to include safety and health publications directed to all USDA employees. Also during FY 1980, emphasis will be placed on identifying and quantifying the health services provided to USDA employees throughout the country. This information will be used to develop programs for resolving differences in level of health care.

-- Workers Compensation Program - A review was made of the quality of the claim submissions for injuries and illnesses submitted to the U.S. Department of Labor by USDA employees. As a result of that study, a manual of instructions and a training curriculum will be developed in FY 1980. This material will be presented to those USDA employees involved in processing workers' compensation claims. USDA is working with U.S. Department of Labor officials to constructively improve the workers' compensation processing procedures.

MANAGEMENT ANALYSIS

The Management Staff provides leadership, direction, and coordination of programs to assure effective use of Department resources. It performs these functions by reviewing agency management improvement initiatives, providing consulting assistance to agencies to help solve specific management and organizational problems, and administering Department-wide programs for management improvement. The responsibilities of the Staff include:

-- Formulating policy and procedures for effective management improvement programs in the Department;

-- Reviewing agency management policies, programs, and systems for conformance to Departmental management policy;

-- Reviewing delegations of authority and organization plans developed by agencies or staff offices and recommending changes necessary to accomplish Department objectives;

-- Reviewing and recommending approval or disapproval of the use of outside management consulting services by Department agencies and offices;

-- Coordinating the approval process for changes in organization structure;

-- Administering Department policies and procedures for the control of commercial and industrial activities;

-- Providing staff assistance to the Department's Committee Management Officer;

-- Advising agencies on the implementation of work and productivity measurement systems and management improvement programs;

-- Providing consulting assistance to agencies in the development of organizational plans and in the review and evaluation of agency management systems;

-- Maintaining liaison with the Office of Management and Budget, the Office of Personnel Management, and other executive departments and agencies on productivity and other management programs; and

-- Performing special projects and studies for the Assistant Secretary for Administration.

Recent Accomplishments - Selected accomplishments during FY 1979 include:

Special Studies - The Management Staff conducted or participated in the following projects:

. EEO Tracking and Evaluation System
. Presidential Management Intern Program
. President's Reorganization Project
. USDA Field Service Structure Study

Management Improvement - The Staff initiated the development of an annual management planning process in accordance with the guidelines laid down in OMB Circular No. A-117. This process will be implemented in FY 1980 and will link agency and Department efforts toward management improvement. It will result in a USDA Annual Management Plan which will be published yearly.

Commercial/Industrial Activities - The Staff developed a comprehensive set of administrative regulations to bring about the changes required by new OMB contracting-out policies, and began the task of building and improving the Department's Inventory of Commercial and Industrial Activities. By the end of FY 1979, the USDA Inventory contained 179 in-house or contracted commercial/industrial activities scheduled for review during the current triennial review period. This Inventory is more than twice the size of the 1978 Inventory, and the Staff will continue to enlarge it during FY 1980.

Commercial Review and Related Consulting Service - In FY 1979, the Management Staff reviewed ten major Requests for Proposal (RFP) for the Department's program agencies. In most cases, substantive improvement in the contract work statements resulted from this Staff review. Included in these RFP's were contracts for a management information system and the resulting data base; a program and management evaluation; a staffing standards system for Nationwide State-Federal work accountability; a Civil Service Reform Act implementation plan; a cost analysis of the feasibility of contracting out functions involving some 800 positions; and an aerial photography contract which would impact on the Department's A-76 policy.

Committee Management - During FY 1979, two advisory committees were terminated and 19 were established for a net gain of 17. Of the 19 established, 16 were required by statute. As of September 30, 1979, the Department sponsored a total of 62 advisory committees.

Organization - A total of 15 agencies and staff offices submitted proposals for organizational changes in FY 1979. These included 22 proposals for agency organizational changes, two requests to change the location of field offices, and one request for a regional office name change. In addition, the Management Staff provided extensive consulting assistance in establishing and reorganizing agencies and staff offices, including;

- Performing or assisting with the organizational planning for the Office of Small and Disadvantaged Business Utilization and the Office of Environmental Quality; and

- Conducting, with the Federal Grain Inspection Service, an impact study of that agency's proposal to relocate its headquarters from Washington, D. C. to Kansas City, Mo.

Productivity - The Management Staff administers the USDA productivity measurement program. In FY 1979, nine Department agencies reported outputs for 122 measured activities. Direct and indirect labor for these activities account for approximately 75% of the USDA work force. The results of the first 12 years' analysis of the measured activities show an annual rate of productivity improvement in USDA of 1.8%. The annual improvement rate over this same period for the Federal Government was

1.7%, and for the "service" segment of the private sector, 1.4%. Other activities carried out in FY 1979 in this area included:

. Participation in a follow-up study of a government-wide pilot test of a system to measure productivity in personnel operations offices. Five offices in USDA agencies participated in this study sponsored by the Office of Personnel Management.

. Provision of technical assistance to staff offices and agencies in the establishment and improvement of productivity and work measurement systems.

SMALL AND DISADVANTAGED BUSINESS UTILIZATION

This activity was established June 26, 1979 by Secretary's Memorandum No. 1992. The establishment was in compliance with Public Law 95-507 that amended the Small Business Act, and the Small Business Investment Act of 1958. To organize this activity, the Department transferred the minority business functions from the Office of Equal Opportunity and small business procurement functions from the Office of Operations and Finance.

This activity is responsible for implementing and administering programs described under Sections 8 and 15 of the Small Business Act, as amended by P.L. 95-507. The activities of this staff include:

-- Providing Department-wide liaison and coordination of activities related to small and disadvantaged businesses with the Small Business Administration, (SBA) the Office of Federal Procurement Policy, and the President's staff on Intergovernmental Affairs.

-- Assisting agencies in the development of policies and procedures required by the applicable provisions of the Small Business Act as amended.

-- Administering the Department's small and disadvantaged business programs.

-- Providing administrative oversight concerning, goals for contract awards in labor surplus areas, minority bank deposits program, and grant and loan activities affecting small and minority businesses.

-- Providing professional staff guidance to Department agencies concerning the details of regulatory procedures for the implementation of the Small Business Act, as amended.

-- Consulting on a regular basis with SBA concerning the interpretation and functional requirements of the Small Business Act.

-- Assisting Department agencies in setting goals and coordinating these goals with the SBA.

-- Providing training and education of Department personnel whose functional responsibilities relate to the utilization of small and disadvantaged businesses.

-- Conducting outreach seminars, and providing source listings and liaison services to small and disadvantaged businesses.

-- Researching, developing and publishing necessary informational brochures and documents.

-- Performing continuing liaison with other departments and agencies on procurement activities relating to small and disadvantaged business utilization.

Selected Examples of Significant Achievements:

-- Contract awards (competitive and 8(a) set-aside) to minority businesses increased by 68 percent during FY 1979. (38.9 million compared to 23.2 million for FY 1978)

-- Contract awards to minority-owned firms under Section 8 (a) of the Small Business Act increased by 30 percent (13.4 million compared to 10.3 million in FY 1978)

-- Deposits of Department funds in minority-owned banks increased by 25 percent in FY 1979 (11,605,129 compared to 9,269,320). These deposits account for approximately 13 percent of all USDA deposits in cities where minority-owned banks are located.

-- Contract awards in Labor Surplus Areas increased from 12 percent in FY 1978 to 21 percent during FY 1979, expressed as a percentage of total annual dollar amounts expended.

Grants to 1,890 institutions, and the Tuskegee Institute increased by 12 percent (14.2 million in FY 1978 compared to 15.9 million during FY 1979 approximately).

GOVERNMENTAL AND PUBLIC AFFAIRS

The Office of Governmental and Public Affairs provides direction, coordination and leadership in the delivery of information to farmers consumers and the urban population; maintains liaison with the Congress and White House on legislative matters of concern to the Department and the public; and coordinates all programs involving intergovernmental affairs with State and local governments.

Work under this subappropriation item is carried out through the following program areas:

Information

Press services. Provides newspapers, magazines, radio and television stations and the agriculturally-oriented publications with current news and information. Special news service is provided to minority publications and farm editors through periodic newsletters. A daily tape recorded report called "News Highlights" summarizing Department news events is available by calling (202) 447-2545. In addition, a news feature service offers stories and other information of human interest on USDA programs. Also, issued periodically are "issue briefing papers," a series of papers providing background on significant issues affecting Department programs and the public.

Efforts to improve coordination and distribution of news releases through field information offices will be accelerated in the coming fiscal year.

Radio and Television services. Fiscal year 1979 progress is reflected in increased numbers of broadcasting stations served, increased access to top USDA officials by broadcast news organizations and increased production of short filmed or taped reports of research and other USDA activities.

-- The weekly television program, "A Better Way," with emphasis on better ways to manage personal diets, health and householding continued to be aired by 90 stations.

-- Twenty-seven short television newsfilms for news directors and farm broadcasters on such subjects as foreign trade, nutrition and environmental quality were produced and provided to TV stations and networks. These newsfilms are in addition to the regular five per week "Down to Earth" TV series, the biweekly "Agricultural Update," and monthly economics news reports for television.

-- Regular services to radio stations and networks continued with more actuality voice reports from U.S. agricultural attaches and others overseas on trade missions, etc. News of exports and related matters is in great demand by farm broadcasters and others. A new service to radio stations, a weekly five-part report on scientific subjects, is provided on request. Two services--Farm Program Report and Agri-Tape--have been combined. Over 3,000 tapes are now mailed weekly to radio users.

-- In the last fiscal year, the Staff produced and distributed approximately 220 spots and features on nutrition, food safety, food preparation, and food programs of the USDA.

Special Reports. This program provides agricultural groups, consumer organizations, civic groups, and schools with information materials about the cost of producing the national food supply. Efforts ranged from briefing materials for use by a national organization of farm wives in a well publicized demonstration in New York City to planning a major educational program in cooperation with the State of Illinois. GPA also made significant strides reaching minority groups and other special, urban oriented audiences with information about the importance of agriculture--as an employer, as a supplier of food and fiber and as an economic mainstay--to their lives. Of particular note in fiscal year 1979 were the following items developed within the five areas of major program emphasis: The farmer's contribution to (1) the national economy, (2) better nutrition, (3) better living, (4) a more satisfying environment, and (5) world food supplies.

The Farmer's Contribution to the National Economy. The national attention to the farm situation in 1978-79 provided an excellent opportunity for GPA to reach more of the farm and the urban community with information about the contributions of agriculture to the national well being. GPA's background materials and popular publications and leaflets increased in demand, as newspapers from coast to coast featured farm life.

-- People on the Farm. The Office published the fifth in its popular series of booklets, which introduce city residents, especially students, to the workings of modern farming, through the experiences of real farm families. Published was People on the Farm: Raising Beef Cattle. This series began after inquiries established that students were receiving inadequate information on modern agriculture. The sixth and seventh booklets in the series, Black Families and Growing Wheat will be published in FY 80.

-- Information package for school children and consumer groups. The Office is developing a nationwide distribution program for classroom use of items such as the People on the Farm series, high school and elementary school teaching kits, and general information leaflets on agriculture. A prototype project is underway in the state of Illinois. The public was again provided copies of Your United States Department of Agriculture which explains USDA's multiple services to people on the farm, and in the community, the Nation, and the world.

-- What Everyone Should Know About the American Farmer is revised annually by the Special Reports Division. Written primarily for urban consumers, the booklet spells out in simple terms the role of the farmer in the national economy and details the risks he undertakes to assure consumers a steady supply of high quality food.

-- The Secret of Affluence, originally developed as an information piece for the bicentennial, continues to attract public attention with more than 200,000 copies distributed in 1979.

-- Agriculture USA, a widely used leaflet aimed at the general public, was revised, updated, and redistributed.

The Farmer's Contribution to Better Nutrition. Special Reports' major activities concerning better nutrition were to sustain distribution levels of two popular sets of leaflets for children and to assist in the distribution of the Department's principal support literature for food stamp families.

-- The Thing the Professor Forgot. The booklet for parents to read to pre-schoolers has been one of the most popular titles ever distributed since its publication date 3 years ago. Through pictures and rhyme, children are introduced to the basic concepts of good nutrition. Over 3 million copies have been distributed largely to teachers, health professionals, food assistance workers, and individual parents.

-- Good Food News for Kids is a set of four leaflets on basic food information for elementary school age children. Nearly 2 million copies have been distributed since the first printing 5 years ago.

The Farmer's Contribution to Better Living. A major new development in this area of work was in the expanded information support given to farm groups, especially farm wives' organizations, as they told the agriculture story to consumers. In addition, the Office expanded its Hispanic information program to reach this important segment of the population and to reach a broader range of all population groups, especially in urban areas.

-- Program assistance was provided to the Oregon State Women in Agriculture in developing credit courses for teachers. The office supports the work of the Concerned Wives of Southwest Kansas in their successful 3-day exhibit and program on farm economic problems at the World Trade Center in New York.

-- FOOD is the first in a series to give the public nutrition information that is interesting and understandable. GPA set up a press briefing with Secretary Bergland, Mark Hegsted, Administrator of USDA's Human Nutrition Center, and Audrey Cross, Nutrition Coordination for the Department, to introduce FOOD which marks a new approach to USDA consumer publications. Over 30 members of the press attended the press briefing. In addition copies of the book were sent to some 500 newspaper food editors, 100 magazine food editors and writers. A letter from Secretary Bergland and a copy of FOOD was also sent to all Members of Congress and heads of state departments of agriculture and education.

-- Magazine liaison. Continuous liaison with some 100 editors representing some 40 national magazines. Answering requests for help in obtaining information, setting up interviews, arranging contacts with USDA experts, doing research, providing information on USDA programs and personnel, suggesting ideas for magazine articles.

-- The Hispanic Information Program, established by GPA in 1978, initiate efforts to inform the growing Hispanic community of the Department's many service-oriented programs. Following a survey of the Hispanic print and electronic media, a mailing list was identified and computerized. Presently the Hispanic Information Service provides weekly magnetic tapes containing Spanish language voice reports, voice-actualities, actualities and interviews, to approximately 760 radio stations in CONUS and Puerto Rico. Spanish language press releases and features, averaging two per week, are sent to 760 radio stations, 468 periodicals, dailies and magazines, and to 148 television stations. Additionally, selected press releases on a daily basis are sent to the same outlets.

-- An Editorial Assistant (Bilingual) was added to the Hispanic Information Service in July. With an expanded staff, the following services were initiated: translation and distribution of the monthly Marketing Alert Report, increased correspondence translation service for the Secretary's office and other requesting agencies; distribution of FSQS, FNS and Forest Service information over the Hispanic Information Service Radio Network; provided, on a weekly basis, a completely contained news cast for use by a Washington, DC-area FM radio station which broadcasts in Spanish; translation assistance and Spanish language magnetic tapes provided on a weekly basis to the Department's Regional Information Directors.

-- White House Projects. At the request of the Director of the President's Speakers' program, an energy information program was developed and reports are being transmitted on the Hispanic Information Service Radio Network to publicize the President's Energy Program.

-- White House Hispanic Media Conference. At the request of Ambassador Esteban Torres (White House Hispanic Liaison Office), GPA's Hispanic Information Officer is organizing a White House Hispanic Media all-day conference. The date has been tentatively set for the third week in January 1980.

-- Spanish Language Style Committee has been approved and volunteer members are being recruited. The committee will be comprised of Spanish language speakers from Cuba, Puerto Rico, a native Mexican-American and a Latin American. The committee will provide assistance and advice on translations and Spanish language usage.

-- USDA All-Agency Exhibit. An all-agency exhibit conceptual model is in the final development stages. The finished product will be a 20-foot traveling bilingual exhibit for use at Hispanic and other national minority conferences.

The Farmer's Contribution to a More Satisfying Environment. A series of 15 energy fact sheets, part of the fact sheet series, encourages rural homeowners to conserve energy in the home. Some 100,000 of each fact sheet are distributed through Congressional lists and through State Rural Development Committees.

The Farmer's Contribution to World Food Supplies. GPA's international program zeroed in on the role of farm exports in the national economy and the ability of American farmers to meet domestic and international food needs.

-- Special Reports completed an update of the widely distributed and frequently quoted publication, "Is the World Facing Starvation?". This leaflet spells out the world food situation, the implications of U.S. aid to developing countries and what needs to be done to eliminate world hunger.

-- International Radio Program. For the seventh year, a staff member appeared on 54 Voice of America Breakfast Shows to answer agricultural questions submitted by listeners in foreign countries. The Breakfast Show is heard in 133 countries and territories.

-- Special Reports also prepared material on world trade and U.S. aid to developing countries.

-- Special Reports revised and updated the publication, "Food Costs and Wages the World Over." This much quoted leaflet compares food expenditures in the U.S. with countries throughout the world.

-- Special Reports' international information officer developed five issue briefing papers: "A Bushel of Wheat for a Barrel of Oil," "Meeting Future World Food Needs," International Sugar," "The Need for a U.S. Food Security Revenue System," and "Trade with the PRC," and three Secretary byliners.

-- A special kit of USDA materials was prepared for American high school students participating in the 1979-80 national high school debate on U.S. foreign trade policies. Hundreds of the kits were requested throughout the country.

Publications/Visual Communication

Publications services. This staff provides advice for the review and direction to the agencies on all aspects of publishing, including planning, preparation, policy, printing and distribution; and coordinates the publications programs among the agencies.

Publications Reviewed

	FY 1978	FY 1979
New and revised manuscripts reviewed editorially for GPO printing	1/ 674	2/ 663
Slight revisions and reprints reviewed (GPO)	272	233
Manuscripts reviewed for duplicating or printing at Department Plant ...	52	22
Total Number of Reviews	998	918

Printing

Printing through Main GPO or GPO Regions:

New and revised publications to the printer	1/ 672	2/ 660
Slight revisions and reprints to the printer	272	233
Other printing orders written and placed	4,872	4,985

Printing other than at Main GPO and Regions:

Miscellaneous orders placed through Department Service Office (DSO)	498	404

	FY 1978	FY 1979
Miscellaneous orders placed through USDA Plant	586	556
Miscellaneous orders reviewed and cleared for printing in USDA plant	12,339	11,500
Total Printing Orders	19,239	18,338

1/ Includes 274 issues of periodicals.
2/ Includes 186 issues of periodicals.

Publications Distributed. Overall distribution of USDA publications of all types increased by 19.4 million, from 34.9 million in FY 1978 to 54.3 million in FY 1979. Nearly 18 million of this increase can be attributed to two major sources: 1) a 1.2 million increase in popular publications, from 8.6 million in FY 1978 to 9.8 million in FY 1979; and 2) large-quantity production of several Program Aids in support of USDA feeding and food safety programs. FNS produced over 15.6 million copies divided among 6 new Program Aids, and APHIS produced nearly 1.2 million copies of a new Program Aid on safety in using no-nitrite meats.

	3/ Popular		All Publications	
	FY 1978	FY 1979	FY 1978	FY 1979
	(Number of copies in millinos)			
Total stocks at start of year	10.5	13.2	23.0	25.0
New publications printed	.5	1.7	16.9	27.3
Reprints printed	10.2	7.6	20.1	26.3
Returned by Sup Docs (Loan)	.1	.1	.1	.1
Total available for distribution	21.3	22.6	60.1	78.7
Stocks disposed of	.1	.1	.2	.3
Stocks at end of year	12.6	12.7	25.0	24.1
Total actually distributed	8.6	9.8	34.9	54.3

3/ Includes Farmers' Bulletins, Home and Garden Bulletins, Leaflets, Fact Sheets.

Publications Distributed Through the Consumer Information Center. Not reflected in the Division's distribution figures are nearly 3.7 million copies of Yearbook Separates provided for distribution through the Consumer Information Center.

Photographic services. This activity provides leadership and direction in the use of photography as an information tool and functions as a centralized point for the control, procurement, and dissemination of photographs and audiovisual presentations within the Department.

During the year four slide sets were produced--"Farm Programs: America's Stake in Itself" (ASCS); "China: Develop a Market" "Trends in) Agriculture and Related Subjects" (ESCS); and "People on the Farm: Broiler Growers" (GPA), which won 1st prize in the National Association of Government Communicators Gold Screen Award. Additionally, substantial work was done on three other slide sets in the People on the Farm series: Hog and Corn Farming (due for release in December 1979); Growing Oranges; and Raising Beef Cattle. A total of 1,319 slide sets and 1,434 filmstrips were sold in FY 1979.

Three picture stories for release to the news media--were produced "Oranges from Field to Market" (GPA); "Research Roundup 1978" (SEA); and "China: Emerging Market for U.S. Farmers" (FAS). Because of delays in printing, alternative means of disseminating pictures to media are being explored.

Requests from the news media and the public resulted in distribution of 7,550 black and white photographs and 4,667 color slides.

GPA is conducting a comprehensive study of how photos are filed and retrieved throughout the Department.

Design. Develops policies and plans for the effective execution of visual information, establishes and produces visual standards for the Department, analyzes and decides on adequacy of all proposed publication graphic and exhibit projects for national dissemination, provides a production service for the preparation of camera-ready material for printing, provides an exhibit service for the fabrication, refurbishing and warehousing of exhibits, maintains temporary and permanent exhibitions in the USA and abroad.

Principal areas of concentration during FY 1979 were communication planning with management and program personnel, development of a design standards manual for department-wide visual management and emphasis on modular design techniques. During FY 1979 the division processed approximately 2,400 jobs for 25 USDA agencies and 8 other federal departments.

Major program areas served were food, nutrition, forestry, agricultural stabilization, conservation, research and statistics.

Continuing programs:

- Permanent Agricultural Exhibition--"Your Five Acres," in the Chicago Museum of Science and Industry. Major refurbishing of "You Bet Your Crop." The exhibit continues to draw some 1,500,000 visitors.

- Forest Service Visitor Centers--Completed the National Fire Center Visitor complex, Missoula, Montana; Headquarters and Visitor Center, Asheville, North Carolina; Dahlonga Ranger Station, Georgia; Broomall Laboratories exhibit, Pennsylvania.

- New Designs initiated this year--Big Bear Visitor Center, California; High Knob Tower, Virginia; Mount Rogers Visitor Center, Virginia; Six Rivers Nursery Exhibit, California.

  A series of brochures are underway for each of these centers explaining the facilities available to the public.

. A coordinated design package is being developed for the Forest Service HOST project. This is an intensified public service campaign effort directed to the employees of the Forest Service.

Motion Picture Division. The staff provides focal point for all film production within the Department, with additional limited capabilities in Electronic News Gathering (ENG) production facilities and equipment. The in-house production staff performs a high percentage of the film and video work, but commercial services contracts are pursued to supplement the division's capabilities.

A more competitive and contemporary approach to visual information has been the keynote for FY 1979. The division is emphasizing shorter "turn around" time on the release of news or relevant pieces incorporating videotape as an important tool. Although Departmental information takes priority over the other federal agencies' requests, there has been increased demand for cooperative projects with the Departments of Energy, Justice and the Federal Emergency Management Agency.

There is a continued interest by the department and agency information specialists to stress energy alternatives in film and video presentations. Projects on Gasohol, Wind Energy, and Solar Energy, were completed or in planning stages during FY 1979.

The major projects for Agriculture and outside agencies completed or initiated in FY 1979, were:

Forest Service

Final editing and release of "Flaming Gorge - A story Written in Water".

Released "These Are Our Forests".

Edited and released (3) television spots for the Pinchot Institute in Philadelphia.

Filmed, edited and released "Sheltowee Trail" - a television featurette.

Animal and Plant Health Inspection Service

Released (4) 15-minute films on exotic animal diseases - detection and diagnosis.

Final editing and release of "APHIS - The First Line of Defense" - half-hour film.

Continued editing on "Pseudorabies" - 20-min. film on swine disease.

Agricultural Stabilization and Conservation Service

Continuing series of interviews with various USDA officials for farm broadcast stations.

Science and Education Administration

(16) 1 1/2-min. research films for TV release, including subjects relating to livestock, insects, grain elevators, solar energy, grain testers, money management, wind energy and gasohol.

Released "Gusts of Power" - use of wind energy on the farm.

Scripting and beginning editing on a 20-min. film on Gasohol.

Continued editing on M.A.R.C., a film on the Meat Research Center in Clay Center, Nebraska.

Governmental and Public Affairs

(15) 1 1/2-to-6-min. TV featurettes on various subjects including care of plants, pollution, farm life on the family farm, tractor safety, lawnmower safety, backpacking, and insects.

(3) TV releases designed for children for "A Better Way" - how kids can make nutritious snacks.

Departmental Administration

Produced a 22-min film on Civil Service Reform within USDA.

Department of Energy

Filming on several projects on energy conservation.

Federal Emergency Management Agency

Released a short version of "Day of the Killer Tornadoes".

Editing a half-hour film on the Winter Snows of '78.

FSQS

Scripted a 30-second PSA on saving money by using USDA grades.

Released a training film on chicken inspection procedures.

F&NS

Filmed and released a 30-second PSA on promotion of school lunch - features Billy Sims of University of Oklahoma football team.

FAS

Sent a cameraman to the Far East, including Singapore, Hon Kong, Malaysia, Korea, and Japan - filming stories on the international food market situation.

Edited a 2½ min. film on a visit of Japanese food importers to the USA.

ESCS

Final editing and release of "FACTS FOR FARMING" - half-hour film.

These productions represent a trend toward serving the public through low-cost, efficient, and timely films. The incorporation of research reports and short featurettes into local news programming has increased the overall audience. The staff continues to introduce techniques that will upgrade the visual performance of the Department, and assist in the delivery of agricultural information to the farmer and consumer.

Intergovernmental Affairs

Intergovernmental Affairs. This activity provides leadership and guidance in the development and implementation of USDA policy and procedure applicable to the department's intra and intergovernmental relations. The Deputy Director has been designated by the President as the Senior Intergovernmental official for the Department of Agriculture. He is responsible for resolving intergovernmental issues brought to this Department's attention.

In the area of International Affairs, this activity:

-- Provides U.S. representation on the NATO Food and Agriculture Planning Committee (FAPC); FAPC Working Group; FAPC Training Team; and FAPC and Industrial Planning Committee Joint Working Group. Develops U.S. position papers for presentation at meetings held at NATO Headquarters and completes tasks and special projects assigned to the U.S. FAPC representative by the Chairmen of the Committee and Working Group. Maintains a close working relationship with the Chairman of FAPC (U.K.), Chairman of the FAPC Working Group (France) and the official members.

-- Maintains close working relationships with U.S. representatives on other NATO Planning Boards and Committees in the Departments of State, Energy and Commerce, including Maritime Administration, and the Federal Emergency Management Agency. Meetings are held with these representatives to discuss positions. Any modification necessary to assure conformity with U.S. policy is accomplished through this review.

-- Responsible, jointly with the Department of Commerce, for U.S. planning relating to the organization and operation of the Central Supplies Agency (CSA) which is one of seven NATO Civil Wartime Agencies. This includes maintenance of an emergency relocation site and prepositioning of emergency records.

-- Nominates USDA designees to CSA positions allocated to the U.S. Conducts periodic briefings for designees and provides assignments to the liaison representatives to the CSA. This includes preparation of position descriptions for USDA CSA designees and developing a manual for use by the designees.

-- Provides input and participates in NATO training sessions and NATO exercises. In fiscal year 1979 CSA senior executives participated in a training seminar at NATO Headquarters. U.S. will host the 1980 training session for food and agriculture designees to the CSA. Approximately 75 participants will attend from U.K., Europe, Canada and the U.S.

Other Accomplishments

-- Prepared and conducted a one day seminar for the 10 Chairpersons, USDA Regional Emergency Staffs; and a one day meeting of the 10 USDA Liaison Representatives to the Federal Regional Councils.

-- Revised Administrative Regulations describing the crisis management responsibilities of USDA, reflecting the current reorganization within the Department and the assignment of crisis management functions were completed and issued during FY 1979.

-- A readiness guideline for the USDA Regional Emergency Staffs which follows the Administrative Regulations was revised and issued.

-- The Directory of USDA Emergency Personnel which reflected the expansion of the Regional Emergency Staffs and State Emergency Boards was revised and issued.

-- The Emergency Operations Handbook will be revised to reflect new policy and procedure changes..

Congressional Affairs

Congressional Affairs. This activity includes the responsibility for maintaining liaison with the Congress and the White House on legislative matters. Specific functions are handling requests from Congress, either personally or by assigning the request to the proper agency; monitoring all congressional hearings on matters of interest to the Department and arranging for USDA witnesses for those hearings; meeting with public groups as requested by Congress or by those public groups; and assisting in preparing briefing information for the Secretary and the White House. In addition, the staff provides a means for communicating the viewpoints of members of Congress to the Secretary and other USDA policy staff regarding Departmental policies and activities.

Activities during FY 1979 included meeting regularly with agency Congressional liaison staffs to assure better coordination, and assisting in the preparation and distribution of issue briefing papers on agricultural issues of interest to the Congress.

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WORKING CAPITAL FUND

Classification by Objects

1979 and Estimated 1980 and 1981

		1979	1980	1981
Personnel Compensation:				
	Headquarters	$8,222,527	$8,542,880	$9,636,513
	Field	18,199,473	21,347,120	21,334,487
11	Total personnel compensation	26,422,000	29,890,000	30,971,000
Other Objects:				
12	Personnel Benefits	2,444,000	2,800,000	2,898,000
21	Travel	331,000	276,000	290,000
22	Transportation of Things	109,000	98,000	104,000
23.1	Standard Lever User Charges	1,500	1,868	2,135
23.2	Communications, Utilities, and Other Rent	15,129	13,099	15,757
24	Printing & Reproduction	273,000	353,000	337,000
25	Other Services	7,720,000	9,309,000	8,911,000
26	Supplies & Materials	3,586,000	4,931,000	6,050,000
31	Equipment	729,000	359,000	391,000
	Total Other Objects	31,821,000	33,093,000	36,873,000
TOTAL OBLIGATIONS		58,243,000	62,983,000	67,844,000
Position Data:				
	Average Salary, GS positions	$18,086	$19,353	$19,374
	Average Grade, GS positions	7.41	7.62	7.67

WORKING CAPITAL FUND

Obligation Limitation, 1980		$61,000,000
Budget Estimate, 1981		67,844,000
Increase in Obligation Limitation		+6,844,000
Adjustments in 1980:		
Obligation Limitation, 1980	$61,000,000	
1980 increase for pay costs	1,983,000	
Adjusted base for 1980		62,983,000
Budget Estimate, 1981		67,844,000
Increase over adjusted 1980		+4,861,000

SUMMARY OF INCREASES AND DECREASES
(On the basis of adjusted appropriation)

Item of Change	1980 Estimated	Program Changes	1981 Estimated
Supply & other central services	$4,617,000	+$304,000	$4,921,000
Reproduction services	4,863,000	+229,000	5,092,000
Motion picture, photographic and other visual information services	2,935,000	+491,000	3,426,000
National Finance Center	27,778,000b/	+3,174,000	30,952,000
ADP Systems	22,790,000b/	+663,000	23,453,000
Total	62,983,000	+4,861,000a/	67,844,000

a/ Includes a total increase of $2,567,000 toward increased operating costs in order to sustain performance levels for continuing programs. Includes total increase of $161,000 for the portion of pay increases effective in FY 1980 which were absorbed in FY 1980 but which are necessary to carry out the programs proposed for FY 1981.

b/ During FY 1980, a one-time transfer of $1,117,000 of obligational authority from ADP systems to the National Finance Center is necessary to defray unanticipated conversion costs to the new Honeywell equipment. Because complete conversion is expected in FY 1980, NFC will not have the continued need for the additional authority in FY 1981.

This transfer is possible because of the difficulty in letting the appropriate contracts in FY 1980 needed to complete the implementation of the Departmental Telecommunications Network which will be completed during FY 1981. The FY 1980 column of the FY 1981 Budget Appendix reflects the transfer of $1,117,000 of obligational authority from ADP systems to NFC. The explanatory notes for comparability purposes, does not reflect the FY 1980 temporary shift.

PROJECT STATEMENT
(On the basis of adjusted appropriation)

	1979	1980 (Estimated)	Increases Or Decreases	(Estimated)
1. Supply and other central services	$4,030,665	$4,617,000	+$304,000(1)	$4,921,000
2. Reproduction services	4,342,133	4,863,000	+229,000(2)	5,092,000
3. Motion picture	2,837,792	2,935,000	+491,000(3)	3,426,000
4. National Finance Center	27,690,843	27,778,000	3,174,000(4)	30,952,000
5. ADP	19,341,560	22,790,000	663,000(5)	23,453,000
Total Obligations	58,242,993	62,983,000	4,861,000	67,844,000

EXPLANATION OF PROGRAM

The USDA Working Capital Fund was authorized in 1944 by 7 U.S.C. 2235 and is used to finance services provided to USDA agencies on a centralized basis. Under the law, only activities approved by the Director of OMB may be carried out under the fund. Centralization is recommended by the Department and approved by OMB when:

-- Centralization will result in cost savings due to:

. Economies of scale
. Reduced overhead
. Central cost based management
. Coordination which avoids duplication of effort among agencies

-- Centralization offers other advantages such as:

. Improved services to agencies and to the public
. Availability of services to agencies who could not afford them except on a centralized basis
. Ability to replace equipment on a long-term basis including depreciation costs in rates charged to users

The Fund received an initial appropriation of $400,000 in 1944. Except for the working capital originally appropriated, it is financed by charging using agencies the actual costs of performing centralized services. The following services are performed for the agencies and financed through the Working Capital Fund:

Supply and other central services. This activity includes the following services: In the Office of Operations and Finance (a) central supply provides for the purchase, storage, handling, issuance, packing and shipment of stationery, supplies, equipment, blank forms and miscellaneous materials; (b) mail distribution system includes operation of the USDA Post Office and provides mail and messenger services for most agencies; (c) automated mailing list is a computerized system for maintaining address files and producing mailing labels; (d) correspondence referral system refers all mail addressed to the Secretary, the Immediate Office of the Secretary and the Department to the appropriate point within the Department for preparation of a reply, and operates a control system to assure timely handling of letters; (e) printing plant furnishes duplicating services, including printing, reproduction, binding, addressing and mailing, and related services; (f) short order and copier stations for duplicating and copy production are located throughout the Downtown USDA complex; and (g) the composing unit produces copy for offset reproduction. In the Office of Governmental and Public Affairs, central services are provided for the Department's emergency preparedness and defense planning activities. The Office of Personnel regularly conducts sessions of the Executive Workshop in Agri-Dynamics, Supervisory and Managerial Strategies, Problem Solving and Decision Making, Agricultural Management Planning Seminar, and Merit System for Managers. These programs are designed to give middle managers and executives a prospective of their agencies relationship to other agencies in the Department of Agriculture, as well as to build managerial and executive skills. Also, in this Office is the Management Analysis Reporting System of computerized personnel data.

Motion picture, photographic, and other visual information services - The Office of Congressional and Public Affairs plans, designs, and produces visual information materials, exhibits, art and graphics materials, and still photographic work for the Department and other Government agencies.

National Finance Center - This activity in the Office of Operations and Finance carries out the Department's fiscal and accounting policies, procedures and regulations; processes the Department's centralized payroll, personnel transactions, and administrative voucher payments; serves as central contact point with commercial vendors on matters relating to payments and payments procedures; serves as central point for the Department in external financial reporting to Treasury and other agencies; and provides management reports for all agencies of the Department.

ADP Systems - The Office of Operations and Finance manages the total ADP resources of the Department including the operation of its major processing facilities. The facilities are located at the following sites: Fort Collins, Colorado; Kansas City, Missouri; and Washington, D.C.

JUSTIFICATION OF INCREASES AND DECREASES

Estimates for Working Capital Fund activities are necessarily tentative because activity managers have relatively little control over their actual volume of work. Services are ordered by the agencies on an "as needed" basis. The 1981 budget estimate for the Working Capital Fund is based on the best current assessment of agency needs. Should these needs change, actual Working Capital Fund costs in 1981 could be greater or less than these estimates. Inflationary cost increases are being absorbed to the maximum extent possible. Specific items of increase and decrease for 1981 are as follows:

1. An increase of $304,000 for supply and other central services including:

   (a) An increase of $11,000 for the FY 1980 pay cost increase.

   (b) An increase of $293,000 for increased operating expenses. These funds are required in order to provide agencies with the same level of services as in FY 1980, including purchases of centrally stocked supplies and printing of forms.

2. An increase of $229,000 for reproduction services including:

   (a) An increase of $12,000 for the FY 1980 pay cost increase.

   (b) An increase of $217,000 for increased operating expenses. These funds are required in order to maintain the current level of printing, duplicating and copier services as in FY 1980, including purchases of paper and supplies and services and maintenance of copier equipment.

3. An increase of $491,000 for motion picture, photographic and other visual information services including:

(a) An increase of $7,000 for the FY 1980 pay cost increase.

(b) An increase of $431,000 for increased operating expenses. These funds are required in order to maintain the current level of services to the program agencies including supplies and specialized contractual services for design graphics and exhibits.

(c) An increase of $53,000 to provide increased program planning and development capability of film and video production.

Need for Change. The Motion Picture Division has experienced a greater demand from the USDA program agencies for productions of news featurettes and public service announcements. The increased funds are needed to enhance the capabilities of the film and video operations.

Nature of Change. The news gathering and photographic capability will be expanded to provide an additional ten news featurettes and two Public Service Announcements.

4. An increase of $3,174,000 for the National Finance Center including:

(a) An increase of $92,000 for the FY 1980 pay cost increase.

(b) An increase of $1,002,000 for increased operating expenses. These funds are required in order to maintain the FY 1980 level of services to the program agencies.

(c) An increase of $2,080,000 for implementation of the motor vehicle system, expansion of the AMS and APHIS billings and collections activities; expansion of the property management information system; implementation of the revised payroll/personnel system; and the inclusion of additional agencies in the central accounting system.

Need for Change. The National Finance Center is in the process of a seven-year developmental effort to centralize all administrative payments and develop a Departmental Accounting System for USDA. New computer equipment has been procured and installed which will enhance this effort and conversion of programs to the new equipment is progressing. The developmental efforts are nearing completion and will substantially culminate in the FY 1980-1981 timeframe. As a final result, USDA will have, for the first time, an accounting system that is responsive to the needs of all levels of Departmental management.

The first phase of the Departmental Accounting System was implemented on October 1, 1976 and substantial progress has been made. The majority of the administrative payment systems have been implemented and are fully operational. Total volumes of transactions (8,981,304 in 1978; 11,592,914 in 1979; and a projected 14,273,000 in 1981) have increased significantly each year with a relatively stable workforce.

The increased funds are required to enable the National Finance Center to continue expanding the services it provides to the Department's program agencies and to allow NFC to integrate additional agencies into the Central Accounting System. As this occurs it is anticipated that not only will the services be provided in a less costly fashion but also in a more efficient and effective manner.

Nature of Change. Utilizing the funds from this increase, the Motor Vehicle System will be implemented, billings and collections activities (APHIS and AMS) will be expanded, The Property Management Information System will be expanded, the revised Payroll/Personnel System will be implemented, the Animal and Plant Health Inspection Service and the Foreign Agricultural Service will be included in the Central Accounting System.

5. An increase of $663,000 for ADP Systems including:

(a) An increase of $39,000 for the FY 1980 pay cost increase.

(b) An increase of $624,000 for increased operating expenses.

These funds are required to allow ADP Systems to provide services to the program agencies at the same level as FY 1980 including purchases of supplies and maintenance of equipment.

WORKING CAPITAL FUND
ESTIMATED COSTS - FY 80

AGENCY	O&F ADMIN. SERVICES	O&F BUD.EX. SERVICES	O&F DATA SERVICES	O&F NFC	OGPA	OP	TOTAL
AHS	494,080	6,677	398,145	503,238	72,719	15,818	1,490,676
APHIS	496,040	16,772	336,377	1,219,273	260,232	10,349	2,339,043
ASCS	511,368	36,820	4,243,321	451,476	105,004	13,150	5,361,138
DA							
GPA	203,792	25,704	4,271	34,508	279,604	264	548,143
HS	6,968	0	0	2,876	16	24	9,885
NFC	0	0	346,737	0	723	1,106	348,566
OBPE	76,742	2,757	5,048	2,876	2,527	107	90,057
OEO	23,656	5,352	0	5,751	7,444	57	42,261
O&F	298,828	4,922	1,046,871	218,549	9,058	811	1,579,040
OP	103,997	5,871	120,092	11,502	25,800	17,270	284,532
OSDBU	0	0	0	0	5	8	13
OSHM	4,313	215	2,330	2,876	441	22	10,197
ESCS	1,099,240	19,027	1,498,772	399,715	268,711	10,455	3,295,921
FAS	464,529	11,760	345,534	83,394	118,166	1,807	1,025,190
FCIC	34,459	788	428,566	253,057	12,190	4,058	733,118
FGIS	222,891	1,629	20,579	957,590	19,722	2,361	1,224,772
FHA	340,103	41,885	3,082,063	2,015,827	84,384	10,772	5,575,035
FNS	607,499	81,766	1,277,896	376,709	159,721	12,288	2,515,878
FSQS	1,020,268	73,353	4,495,650	12,690,218	763,737	120,849	19,164,075
OGC	713,621	27,530	340,954	2,680,100	119,380	39,901	3,921,486
OGSM	59,577	2,810	388	46,010	677	441	109,903
OICD	149,996	3,526	0	14,378	1,013	146	169,058
OIG	110,269	2,076	63,678	28,756	7,953	147	212,879
OSECR	106,637	3,705	155,575	152,409	28,434	11,255	458,014
OALJ	8,195	0	0	2,876	3,023	20	14,115
OSEC	213,040	0	0	20,129	77,017	121	310,308
OT	0	1,486	0	2,876	850	49	5,261
REA	371,102	2,470	75,578	94,896	50,193	1,563	595,802
SCS	637,486	16,038	614,489	3,922,379	108,693	28,564	5,327,648
SEA	927,468	56,151	2,421,913	2,556,448	571,070	30,222	6,563,272
WFAOSB	8,583	143	8,542	5,751	4,451	19	27,489
DEPT TOTAL	9,314,748	451,233	21,333,369	28,756,443	3,162,959	334,025	63,352,777
GS	8,424	0	0	0	114	0	8,538
OTHER	304	0	482,006	0	87,174	0	569,485
GRAND TOTAL	9,323,476	451,233	21,815,375	28,756,443	3,250,247	334,025	63,930,799

Intra Fund Billing	-987,829
Depreciation	-318,970
Capital Outlay	+359,000
Est. Obligations	62,983,000

WORKING CAPITAL FUND
ESTIMATED COSTS - FY 81

AGENCY	O&F ADMIN. SERVICES	O&F BUD.EX. SERVICES	O&F DATA SERVICES	O&F NFC	OGPA	OP	TOTAL
AMS	512,003	6,213	356,237	547,742	88,977	17,148	1,528,319
APHIS	521,921	15,607	326,935	1,325,092	311,927	10,759	2,512,241
ASCS	532,508	34,262	3,581,136	489,871	132,881	14,120	4,784,778
DA							
GPA	177,623	23,919	0	36,287	345,595	264	583,688
MS	7,846	0	0	1,877	22	24	9,769
NFC	0	0	587,382	0	983	1,106	589,472
OBPE	64,360	2,565	8,342	1,564	3,010	107	79,948
OEO	25,717	4,980	0	7,820	9,136	57	47,710
O&F	295,179	4,581	1,668,562	237,743	11,215	811	2,218,090
OP	101,582	5,463	101,050	12,825	31,791	18,987	271,699
OSDBU	0	0	0	0	7	8	15
OSHM	5,281	200	4,171	1,564	549	22	11,787
ESCS	1,117,578	17,706	1,751,558	434,190	323,450	11,208	3,655,690
FAS	491,196	10,943	394,083	89,466	142,791	1,907	1,130,386
FCIC	37,183	733	634,609	276,217	14,580	4,386	967,708
FGIS	324,159	1,516	34,756	1,042,931	24,439	2,361	1,430,161
FMHA	361,284	38,976	2,572,791	2,193,471	105,232	10,772	5,282,526
FNS	610,583	76,087	1,636,275	410,728	193,138	13,203	2,940,014
FS	1,075,384	68,258	5,249,637	13,805,856	933,936	129,809	21,262,880
FSQS	645,609	25,618	354,590	2,916,391	149,936	42,265	4,134,409
OGC	59,201	2,615	695	49,425	895	441	113,272
OGSN	155,952	3,281	0	15,954	1,297	146	176,630
OICD	119,583	1,932	0	32,220	9,944	147	163,826
OIG	122,660	3,448	147,460	165,480	35,593	12,256	486,896
OSECR							
OALJ	6,786	0	0	2,815	3,913	20	13,535
OSEC	200,584	0	0	23,148	94,331	121	318,184
OT	0	1,382	0	3,128	1,012	49	5,572
REA	398,498	2,299	80,415	104,794	62,224	1,625	649,855
SCS	667,754	14,924	792,300	4,266,508	134,935	29,514	5,905,936
SEA	974,498	52,251	2,497,517	2,781,567	692,004	32,065	7,029,902
WFAOSB	10,108	133	0	5,005	5,526	19	20,791
DEPT TOTAL	9,622,619	419,892	22,780,501	31,281,679	3,865,270	355,728	68,325,689
GS	7,347	0	0	0	135	0	7,482
OTHER	316	0	90,368	0	96,392	0	187,076
GRAND TOTAL	9,630,282	419,892	22,870,869	31,281,679	3,961,797	355,728	68,520,247

Intra Fund Billing	-748,277
Depreciation	-318,970
Capital Outlay	+391,000
	67,844,000

FRIDAY, MARCH 7, 1980.

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS

WITNESSES

JAMES C. WEBSTER, ASSISTANT SECRETARY FOR GOVERNMENTAL AND PUBLIC AFFAIRS
EDWIN W. GOODPASTER, ACTING DEPUTY ASSISTANT SECRETARY, OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS
ALVIN P. CAULEY, ACTING ASSISTANT TO THE ASSISTANT SECRETARY AND HEAD, RESOURCE MANAGEMENT STAFF
ROGER SANDMAN, ACTING DIRECTOR OF INTERGOVERNMENTAL AFFAIRS
LARRY MEYERS, ACTING DIRECTOR OF CONGRESSIONAL AFFAIRS
JEANNE M. STANEK, BUDGET OFFICER, OFFICE OF OPERATIONS AND FINANCE
STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

INTRODUCTION

Mr. WHITTEN. The Committee will come to order.

We have with us today James C. Webster, Assistant Secretary for Governmental and Public Affairs, Mr. Edwin Goodpaster, Deputy Assistant Secretary for Governmental and Public Affairs, Mr. Cauley, Mr. Sandman, Mr. Myers, Miss Stanek and Mr. Dewhurst.

We are glad to have you here for your presentation. You have been the subject of a little discussion as we have gone along in these hearings. We didn't want you to be ignored. We have enjoyed your publications. I would not say that they hit the mark or they fit the law, but they were enjoyable. We will be glad to hear from you at this time.

Mr. WEBSTER. Thank you, Mr. Chairman. You have a copy of our statement which sets forth our budget requests. I think it stands on its own. I would prefer today to discuss those items which are obviously more on the mind of the subcommittee and the department than those presented in the statement.

[The prepared statement appears on page 561.]

STATEMENT OF ASSISTANT SECRETARY WEBSTER

Mr. WEBSTER. Mr. Chairman, I feel very strongly that this office and I have not consulted adequately and communicated as well with this subcommittee, or really any external organization to the department, about the specific activities of the Office of Governmental and Public Affairs.

That is true for a number of reasons. Public information, newspeople, tend to, by their very nature, blow other people's horns. We

think we do a reasonably good job of that but we have not done a very good job telling our own story. I think, perhaps as a result, we have misinterpreted the admonitions of this committee and the Congress as to what our public affairs and public information function should be.

I think it has been clear that you have told us that there are three areas that you wish us to follow. One, that we instruct farmers in better methods of agriculture. That is clear in the Organic Act. Two, that we tell the farmer's story to the 95 percent of the population that depends on farmers; and thirdly, that we use the information developed through science and other USDA programs to help all of the people make their lives better.

I think your admonitions are also very clear to us that you hold the Yearbook of Agriculture in a special place. It is a congressional document. It has over 100 years of history and it has been one of the premier publishing achievements of the government. We believe that in selecting the topic and audience for this yearbook that we have followed two of the admonitions of the Congress; first to tell the farmer's story to the nonfarmer and second to make our information available to help people lead better lives. As a result, we have received your message loud and clear and we have made a major shift in the subject for the 1980 yearbook.

Instead of doing a food and farm policy yearbook as we had begun to plan, we instead plan to do one on cutting energy costs. It will be of real use to farmers and nonfarmers alike.

Mr. WHITTEN. Well, that is your intention. You still have not gotten your money, so you may get some instructions.

Mr. WEBSTER. Yes, sir.

SPENDING MUST BE IN ACCORD WITH LAW

Mr. WHITTEN. I would like to call your attention to the fact that all the points that I have made are directed toward seeing that you carry out the instructions of the law. The law is quite plain that the yearbook is for the benefit of the American farmer. So when you spend money for other than that, you are not doing it according to the requirements of the law.

I recall very vividly, though it was quite a long time ago, that I was in the gallery when the reorganization plan of 1953 was adopted by the Congress. I left the gallery, went out on the floor and made a speech. Mr. Bentsen, I believe, was Secretary of Agriculture. I said, you may be satisfied with your present Secretary and you may be willing to trust your present Secretary. I don't quarrel with that, but who knows who will be Secretary in the future?

To turn it over to an unknown with whose views you may differ entirely is a mistake. However even that provides, and I read the last words "but such unexpended balances so transferred shall be used only for the purposes for which such appropriation was made." So the reorganization which you carried out is under the law which says that. But if I understand the hearings correctly, the law has not been followed in either case.

It is not a directive of the Committee that I am talking about. After all, let me say that this subcommittee can only recommend. We rec-

ommend to the full Committee and the full Committee to the House, the House to the Senate and then you have a conference and the President has to sign it. So we are talking about actions of the Congress, not of this subcommittee. I have to say that all the hearings up to this point show a complete disregard for the law.

Mr. WEBSTER. Mr. Chairman, we were very aware of the intent of the Congress. You restated it in your committee report on the current year's appropriation on page 26; 31 U.S.C. 628. We are also mindful of the statute authorizing part II of the annual report of the secretary, otherwise known as the yearbook, which is 44 USC 1301. We looked very closely with our general counsel at the subject and topic and treatment of the yearbook.

Mr. WHITTEN. Is that your present counsel or the one who went to the White House?

Mr. WEBSTER. The present counsel, Mr. Marcus.

Mr. WHITTEN. Do you have his opinion?

Mr. WEBSTER. He concludes that it is plainly apparent that the subject matter of the yearbook not only pertains to the operations of the Department but is particularly well suited to instruct farmers and consumers alike.

YEARBOOK TOPIC

Mr. MYERS. Mr. Chairman, may I ask a question? Who really dreamed up the idea of this publication this year?

Mr. WEBSTER. Mr. Myers, the process by which the decision was made really began in 1977.

Mr. MYERS. You mean it took that many years to get this out?

Mr. WEBSTER. The decision process took some time. It involved the Secretary, all the Assistant Secretaries and their top staff. We recommended from the Office of Governmental and Public Affairs the topic and the treatment in 1978. The Secretary concurred in it and we worked beginning in October of 1978 through 1979 to publish the book.

Mr. MYERS. Well, I am sorry I make this comparison, but I could not help but think you said "we hold the yearbook in a special place"; I remember my grandparents used to have outside facilities and they always had catalogs and things out there. I thought, my gosh, this would be an appropriate place for this publication, too; because honestly, it was bad. Do you still have them in Texas?

Mr. HIGHTOWER. I have heard my grandfather speak of that.

Mr. WHITTEN. You may proceed.

Mr. WEBSTTER. That concludes my statement, Mr. Chairman. I will be pleased to respond to questions.

FY 1981 BUDGET INCREASE

Mr. WHITTEN. I notice that you propose an increase of $1,686,291 in your department that would make available for 1981 the sum of $9,793,641 and that you further hope to take over the five district offices and operate them in accordance with your views. What is that increase for?

Mr. WEBSTER. The increase and the field information office transfer are not related. The increase in the amount of $625,000 would allow

us to return to the level of last year in distribution of publications through the Consumer Information Center. These publications are not new and not developed just for the CIC. They are available and in great demand. However, the money available under this year's appropriation for handling and postage through CIC will fall short by almost half of what the demands will be.

The other part of the increase would be for a number of programs that would help us to do that role which the Congress has asked us on several occasions to do, to better tell the farmer's story to the consumer as well as some other facts that are listed in the statement, to do a better job on energy information for farmers, and to establish information programs, to work with farm organizations, educators, women's groups and others to help them tell the farmer's story.

Other parts of this increase would help us develop a better liaison with the major magazines of this country again helping that 95 percent of the public understand that the 5 percent is the basis of their food supply. Also, to create a program for those smaller farmers that have lesss access to information than the larger commercial farmers so that we can help them better make production and marketing decisions.

CONSUMER INFORMATION CENTER

Mr. WHITTEN. What is the current level of distribution through the Consumer Information Center? Who receives these publications and where are they sent? What efforts have you made to cut out unnecessary or low-priority publications?

Mr. WEBSTER. In FY 1979 the Consumer Information Center distributed 4,758,810 USDA publications to consumers at a reimbursed cost of about twenty cents per item for postage and handling.

As you know, the Consumer Information Center can select publications from any government agency for centralized distribution to consumers. The agency providing the publications reimburses the CIC for postage and handling.

Speaking for the Department of Agriculture, I can say that this centralized distribution has been an effective system for taxpayers. The CIC can reach the general public through their quarterly catalog cheaper and easier than the USDA; CIC can also distribute publications through a large centralized operation cheaper than the USDA; CIC can stay more current in fulfilling requests than the USDA; and CIC helps the USDA meet its commitment to the public at large.

The USDA publications distributed by CIC are the same publications that the USDA distributes in other ways: through Extension, Congressional lists, the USDA Visitor Information Center, and through mail inquiries to the USDA Visitor Information Center—we get an average of 600 letters and cards each day in the Office of Governmental and Public Affairs alone.

The orders for USDA publications through the CIC demonstrates that USDA publications are very popular. Last summer, for example, 31 percent of the 138 titles in the Consumer Information Center catalog were from USDA publications. Nine of the top 15 publications requested from CIC were USDA publications; 12 of the top 25; and

23 of the top 50. That means that nearly 50 percent of the top 50 publication titles from all of government—as ordered through CIC—were USDA publications. And only six percent of the bottom 50 were from the USDA.

That popularity might be a mixed blessing from the viewpoint of the Department of Agriculture. However, I do believe that we need to view this from the standpoint of the people who are requesting information that will be helpful to them in their homes, with their families, and in their personal lives.

The distribution of USDA publications through the Consumer Information Center will continue up to the $750,000 limit for the current fiscal year. When that limit is exhausted, the CIC will cut off USDA distribution. The CIC stopped any mention of USDA publications with its catalog which went to the printers in December. The USDA is now trying to work out an appropriate system for handling the unavoidable "carry-over" consumer requests that will come to CIC after the USDA reimbursement limit is reached.

We will continue to make these publications available through the other traditional USDA channels, but it will cut down materially on this consumer service. The USDA simply hasn't duplicated the CIC methods of informing people, and we would hope—in the interest of economy and efficiency—that we wouldn't be expected to now or in the future.

Mr. WHITTEN. You are also requesting a change in the appropriation language, which would eliminate the provision restricting the amount of reimbursement to the Consumer Information Center at $750,000. What is your current rate of expenditure on an annual basis of reimbursement to the Consumer Information Center? Why do you want to lift this ceiling? What level would be necessary to carry out these activities on an annual basis?

Mr. WEBSTER. Our FY 1981 budget request asks that Congress restore the amount of money that would enable the Consumer Information Center to fulfill consumer requests for USDA publications at the nearly normal operational rate. The FY 1980 level of reimbursement for postage and handling is $750,000—the limit prescribed by Congress after reducing the FY 1980 reimbursement from $1.375 million, which would have been the normal operational rate for FY 1980.

We believe that consumers themselves have demonstrated that this near normal rate is desirable.

TARGETING AUDIENCES

Mr. WHITTEN. You are requesting increased appropriations to target on specific audiences. You have listed 9 specific steps to carry out these activities. Please discuss each of these activities in detail for the record and include what percentage of the total request each of these 9 steps will require of the requested $587,000 total.

[The information follows:]

We anticipated that the following percentages of the total request will be assigned to programs as follows:

15 percent—to the role of farming in the national economic system.

15 percent—to the changing economics of the American food system.

10 percent—to target distribution of materials produced for the programs listed above.

6 percent—to expand participation in overseas radio programs and to explain farm exports domestically.

14 percent—to establish an agricultural energy information resource center.

14 percent—to expand inventories of publications and develop a cooperative publishing system with land-grant universities and USDA agencies.

3 percent—to sharpen magazine liaison efforts.

3 percent—to expand Hispanic activities into publications and correspondence reviews.

20 percent—to create a small farmer information program.

The first three items are interrelated and also build upon some of the activities we have been doing for some time to produce materials that explain agriculture to non-farm people, women's groups, school groups, civic groups, and farm groups who have programs that they take to urban groups. In the past, we have produced materials especially on food costs, nutrition, farm production expenses, and general agricultural techniques. We would like to expand those topics so that we might have material—both printed and visual—that is equally effective on exports, energy, transportation, conservation, inflation and economics, rural development, and other similar topics. Additionally, we would bring up-to-date and reprint various fact sheets, slide sets and brochures already available in diminishing numbers. With the increased funding for the first three items, we would be able to target our materials more effectively than we've been able to do before.

Another area I feel needs increased emphasis relates to the coordinated Spanish language publications program and development of a means to handle or review the department's growing Spanish language correspondence. We came to that need in this manner: Present Hispanic information services utilize radio and press release facilities. We issue radio tapes on departmental programs to more than 700 Spanish language radio stations and translate press releases for distribution to a growing number of bilingual newspapers and magazines. Several USDA agencies translate their publications into Spanish for distribution to the Spanish speaking public, but frequently differences in translation bring confusion to readers. For instance, Hispanics familiar with Puerto Rican phrases differ with Mexican derivations of the Spanish language, and vice versa.

Some coordination of these materials would remedy the confusion and avoid the necessity to print different versions of Spanish language publications for different parts of the United States. A similar need exists for a review of correspondence prepared in Spanish, to make certain that specific word usage can be understood by the person to whom letters are written.

Mr. WHITTEN. Several of these 9 items seem to extend into the area of the Extension Service's role. Please discuss the difference between your plan and the current activities carried on by the Extension Service.

Mr. WEBSTER. There always seems to be a similarity of GPA's activities and those activities of the Extension Service. Possibly the best way to describe the different roles is to point out that GPA works broadly with the public and with the mass media; Extension—in the States, especially—does likewise, but its efforts are educationally oriented and relate to long-term program development. Also, much of the material GPA produces becomes the "textbook," so to speak, for Extension activities. GPA involves Extension program people in the development of materials. In fact, we involve program specialists from all USDA agencies as we develop materials.

Someone needs to coordinate multiple agency information programs into forms that the broader public wants, needs, and understands, and therein lies a major reason for GPA. Thus, we hope we are adapting materials from many agency programs into forms that can serve the single agency need and the needs of the media and the public at large.

As we target audiences, we are working with many groups that none of the agencies reach. That is why the distribution of publications through the Consumer Information Center is important to us. CIC reaches a broad element of the public that is not aware of or even reachable by the Extension Service and many of USDA's other agencies.

OVERSEAS RADIO PROGRAM

Mr. WHITTEN. One of the items is to expand the participation in overseas radio programs. For the record, please show how much money you currently have in overseas radio programs, and what the additional amount would accomplish.

[The information follows:]

Mr. WEBSTER. Our participation in overseas radio programs now is not even budgeted. One individual spends less than half a day monthly participating in a half-hour radio presentation aired around the world by the Voice of America. The program is one of the Voice's most popular offerings and pulls thousands of letters monthly which form the basis for a question-and-answer format aired as a "breakfast show."

Comments from agricultural attachés indicate a strong need for more information relating to our exports, the quality of grain, the techniques we use to maintain a reliable source of grain for foreign buyers, and details relating to our farm programs which the attachés have difficulties explaining.

Of course, we do not anticipate developing materials for direct distribution abroad ourselves, except through our attachés. But we would attempt to provide more materials which the Voice of America could use.

The primary effort would be to develop more materials for domestic use on the importance of farm exports to our own economy. These, and other materials, would also be made available through the Foreign Agricultural Service to our agricultural attachés.

ENERGY INFORMATION CENTER

Mr. WHITTEN. Another of the items is to establish an Agricultural Energy Information Resource Center. Where would this be located? What type of information or materials would be distributed from this center? How would this relate to the Extension Service's energy information activities? How would it relate to the Department of Energy's Information Centers? Would there be duplication between these and other activities within the Federal and State governments?

Mr. WEBSTER. A similar situation is arising over lack of knowledge about materials available on energy as existed some time ago about nutrition materials. Nearly all the State Extension Services are producing information about energy; many agencies in USDA and other parts of government are doing the same thing.

As farm people ask questions about energy, we often find that some very useful materials already exist. Finding the material is difficult, however, it is likely that some duplication already has come about simply because we, and others, do not know what already is available and where.

An Agricultural Energy Information Resource Center would simply inventory all existing material. In that way, we could see where gaps exist, where excellent material has already been produced. Then we and others could plan better for future programs. Since GPA deals with information, serving many agencies and groups and the mass media, we anticipate that the Center would be a part of GPA.

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Again, it is important to point out that GPA works with all agencies and deals in popular material. There are other energy activities that are attempting to sort technical information, but we know of none that is coordinating information that the public can use. Rather than duplicating activities, we see it as a means to avoid duplication of materials intended for public use.

INVENTORY OF FOOD, NUTRITION, AND EDUCATION INFORMATION

Mr. WHITTEN. Another of the items is to sharpen existing inventory of nutrition and energy conservation information in USDA. Please explain what this means. Please explain how this relates to the Nutrition Education activities of the Human Nutrition Coordinator, the Food and Nutrition Service, and the Extension portion of the Science and Education Administration.

Mr. WEBSTER. The inventory of food and nutrition information and education materials is the Department's direct response to Congressional criticism of a lack of knowledge about existing nutrition information programs and materials. Specifically, the inventory is developing a computerized mechanism to provide an automatically updated listing of all available titles on the subjects of food and nutrition, by type of material, subject matter, age of target audience, and so on. In effect, when you ask what types of information have been sent to specific age groups, we can tell you very specifically by using data from the inventory. It also helps us plan, for the inventory shows quickly whom we have missed and to whom new materials should be directed.

The inventory also provides information on the costs of such projects, on the number of copies distributed and the estimated percentage of the target reached.

The inventory lists all materials on food and nutrition produced for the general public by USDA agencies and some of the materials produced by State units affiliated with the Department.

Information in the inventory is provided to GPA by the information offices of the Food and Nutrition Service, the research and extension units of the Science and Education Administration, the Food Quality and Safety Service and the Economics, Statistics and Cooperative Service. The inventory will draw its abstracts and other bibliographic information from existing systems within the National Agricultural Library.

Reports on costs, distribution and titles will be available to the agencies through their own computer hook-ups or on request. The inventory program reports to the Department's Human Nutrition Policy Committee and is, to some degree, under the guidance of the Human Nutrition Coordinator for the Department.

We hope to develop energy conservation information on a similar inventory. Both inventories become a key means to marshalling land-grant universities and agency groups into a cooperative publishing program that will avoid duplications and allow us all to share rising production costs for printing and distributing information materials.

LIAISON WITH MAJOR MAGAZINES

Mr. WHITTEN. One of the requested areas of increase is to develop a continuing liaison with the major magazines of the country. What do you hope to accomplish through this activity? How much money will this activity cost? What contribution will this make to the Department of Agriculture's goals and missions?

Mr. WEBSTER. We have long had a hit-or-miss liaison with the major magazines of the country. Relations are excellent with the farm magazines, but publications such as Readers Digest, Fortune, Business Week, many environmentally oriented publications and women's publications offer vast story opportunities if we can provide a reliable, steady service to them. That does not mean we would write their articles but that we would regularly contact them with ideas, suggestions, details and source possibilities on issues they wish to write about and on which they now are asking us. Their use of agriculturally oriented material would give us an entry to millions of people we can otherwise not reach without great expense.

The small amount of funding we are requesting would allow us to work more closely with these magazines and to take a more aggressive role in seeking and providing information they could use.

REACHING THE SMALL FARMER

Mr. WHITTEN. The last of your areas is to create an information program for those farmers who have less access to information than others. Please explain.

Mr. WEBSTER. In recent years it has become more and more evident that there is a gap between the small farmers of America and the USDA. Despite the fact that several agencies have programs useful to small farmers, the small farmers themselves consistently say they do not receive adequate information about government programs. They say there is no focal point in USDA from which they can learn of programs or to which they can make their needs known. As a group, small farm families believe the USDA information network does not serve them; that government programs are more easily accessible to large farmers than to small farmers.

Small farmers often operate outside the channels USDA normally uses to reach rural people. That is why we say they have less access to information than others. They seek information from different sources, They frequently have off-farm jobs. As a result, they do not readily hear of local meetings held by USDA officials such as county agents and others. They do not read or see USDA publications, press releases or visual presentations. Even if they do learn of meetings and available materials, their jobs often make it difficult or even impossible to take advantage of opportunities offered. Most importantly, even if they do receive materials from USDA, often they gain little because the material does not relate to their limitations in resources, agricultural skills, and organizational know-how.

But they do receive mail. They also own, watch, and listen to radio and television—although some may not listen to farm broadcasters. They receive newspapers and non-farm magazines. And they are re-

ceptive to information in many forms that relates to their special needs and interests.

With special information programs for small farmers, we would rely greatly on newsletters directed to specific and growing lists of these people. We would aim radio and television material to small town stations where farm broadcasters are not located. And we would intensify the production of press releases and features to small town newspapers that would give particular attention to the needs and interests of the small farmer and that could be sent to them through direct mail methods.

1979 YEARBOOK

Mr. WHITTEN. Mr. Webster, the real problem that we have as the country gets more and more urban, as we get more and more dependent on the fewer and fewer people who are farming with bigger investments and greater risks, who free the rest of us from the soil so we can do something else, is that it gets difficult for us to get you folks to keep your eye on the ball—to keep the producer producing.

Our whole economy, in my opinion, and our whole standard of living ties back to the fact that more than any other country that I know of, relatively few have been able to supply the basic things that leave the rest of us free to do all the other things. It is mighty difficult for those in the publication business not to look to the 95 percent of the people who do not farm. I am sure you and the Secretary are very proud that you think you will have a bestseller. I don't question that it is attractive.

I had a young black friend who was here the other day who works around the Hill here. He said he plans to send it to his father who had written him. His father is a farmer and wrote him for a yearbook and he said, "I am sure when I send it to him he will give it to my younger brother."

Now from this legal opinion here that you supplied the Committee—and it looks like it might have been written by a public relations man rather than a lawyer—I quote, "while written in clear straightforward language that children can understand, in keeping with the International Year of the Child." That doesn't sound like it was written by a farmer's friend.

Mr. MYERS. It wasn't.

Mr. WEBSTER. Mr. Chairman, the contents of the yearbook is really in two parts. The first part of it is devoted to informing nonfarm people about the food system and the farmers' importance in that system. A chapter in the back is really devoted to commercial agriculture and telling that story.

Mr. WHITTEN. Does that have something to do with the title "Will Cows Give Chocolate Milk in the Future?"

Mr. WEBSTER. No, sir.

Mr. WHITTEN. We have a prohibition in the Delaney amendment about food additives so the cow might be violating the law if she mixed chocolate with the milk.

Mr. WEBSTER. A lot of the techniques used in production——

Mr. WHITTEN. We don't need so many techniques.

YEARBOOK DIRECTED TO AGE LEVELS 9 TO 12

Mr. WEBSTER. In communicating with 9-, 10-, and 11-year-olds——

Mr. WHITTEN. You mean you figure the farmer would have to be at that intellectual level in order to stay in farming? Is that the reason you directed your book to a child aged from 9 to 12?

Mr. WEBSTER. No, sir; we directed it to that age level because these people who have an open and high curiosity, a high learning curve and will talk about it with their parents.

Mr. WHITTEN. You think the time is changed to where the parents need to be instructed by their children age 9 to 12?

Mr. WEBSTER. Not instructed, sir.

Mr. WHITTEN. I understood you to say that by selling the people ages 9 to 12, that they could make this available to their parents and explain to their parents.

Mr. WEBSTER. About 15 or 16 years ago, Mr. Chairman, when I was working for a member of the United States Senate who was in a reelection campaign and accompanying him around the state, and this was before 18 year-olds were allowed to vote, he spent a great deal of time talking to high school assemblies, answering questions at some length. I said, why do you keep doing this, Senator? He said, because these young people are more interested in it and they will go home and not instruct their parents but talk about what I said with their parents. He felt it was an excellent way to communicate.

Mr. WHITTEN. People in public life learn that. We had about 50 fourth graders in here the other day. But I would not take a law that says we should prepare something for the use of farmers and change it for the fourth graders.

I had a wonderful time with those children. They seemed to enjoy it. One of them asked me, "why are we paying all these taxes?" I am sure his father gave him that question. I described some of the things we were getting for the taxes. He seemed satisfied. His father probably didn't give him the second question.

I agree with the Secretary: I think you will have a bestseller. But I don't know what the farmers' benefits will be out of it.

Mr. WEBSTER. Over the three years that I have been with Secretary Bergland down at the USDA, Mr. Chairman, literally we have talked with farmers who have told us any number of things that would be useful to them. Obviously higher prices and lower costs, but one of the things that comes through in the conferences is the feeling among farm people that urban people don't understand their problems and don't understand how important agriculture is to the urban areas. That is what we set out to do in this yearbook.

Mr. WHITTEN. You are saying that nonfarmers don't understand their problems. The farmers I know say you don't understand their problems.

Mr. WEBSTER. I have heard that very much, too, sir.

Mr. WHITTEN. And that your attention is directed toward the 9 to 12 year-olds.

Mr. WEBSTER. This is one part of a very broad public information campaign that speaks to farmers.

Mr. WHITTEN. Why do you cut out the basics? The agricultural yearbook is a basic thing. You cut out the basic thing. Listening to all the witnesses here, somebody must have recruited them when it was thought that we would have a special department dealing with the consumer.

Well, goodness knows, I am a consumer and I have spent the time I have had here, as have Members of this subcommittee, trying to protect the consumer. But the first way to protect him is to keep producers producing so we will have something to consume.

It looks to me like, judging from the witnesses on your side of the table, when that consumer department did not get created the folks who had been lined up to go to that department went to the Departmen of Agriculture. Mr. Bergland, for a number of years, didn't have an Under Secretary. When you get below that, everybody is specially trained and very capable, but not in farm matters. I can only say that it must come from the fact that they were recruited for another type of agency, have gone into the Department of Agriculture and reversed the primary emphasis that farming has always had.

I say this, and I will tell Mr. Bergland, in the years that I have been here I have never known a Secretary or a department that could not work with the Congress on these problems. We have had one this time that I don't know who you could call to lay it on the line with you. I don't know how to go about it. The folks who ran the department 40 years before you sit back on the third, fourth and fifth row when you come down here. So it strikes me that you have just reversed the department into something far apart from that which I have known. It is hard for me to understand and hard for me to keep from recommending to the Committee that we appropriate by line item.

You know that was the way it was done up until World War II, so that they will give attention to the relatively few that make it possible for all the rest of us to do something else. Surely those who make all these other things possible should have one department to give attention to the problem instead of saying here it gives attention to "clear straightforward language that children can understand, in keeping with the International Year of the Child."

Mr. Andrews, do you have any questions?

TIMING OF YEARBOOKS

Mr. ANDREWS. Yes. Last year we talked about the yearbook. You know those of us who serve agricultural districts have a lot of farmers write in for them. I have a backlog about 100 farmers who wrote for the new yearbook. You assured us, as I recall, that the 1979 yearbook of agriculture would be delivered in September.

Mr. WEBSTER. I did, sir.

Mr. ANDREWS. Now it has come out in February. What was so complicated about this great yearbook that it took you an extra five months to get it out?

Mr. WEBSTER. Primarily, Mr. Andrews, it was the heavy use of art and a format with which we were not as familiar as we had been in the past. It also involved the use of four-colors throughout, heavy use of photography and the kind of typography we used. All these

matters were recommended by our consultant, who was a senior editor of *Scholastic Magazine* and knows the techniques of communication with this audience.

THE 1980 YEARBOOK

Mr. ANDREWS. When do you expect the next one will be out?

Mr. WEBSTER. If we are to begin next week fleshing out the outline of cutting energy costs, we fully believe that a traditional size yearbook can be delivered in calendar 1980.

Mr. ANDREWS. And it is going to be on the information that you have accumulated through the Department on cutting energy costs for the farmer?

Mr. WEBSTER. Our general look at it right now, and this has been really about a three week look, would have four major parts in it. One would be the results of work done by the agricultural engineers in our science and research agencies and the extension service about cutting on farm energy costs. Another part would be the rural home, how energy costs might be saved there. A third would be more energy conservation techniques which supply across the board, and a fourth would be on farm fuel production, methanol, ethanol and the sort of thing that would help farmers displace fuel which they would otherwise purchase externally.

Mr. ANDREWS. Actually, had we known what this one was going to look like, I suppose we would not have asked you whether you could have it ready by September. Since you are an expert in communications, what would you tell these farmers who are expecting a traditional yearbook. Most of them wrote last summer saying please send us the yearbook which is so helpful to us in our farming operations. What should I write these people? Do you have any suggestions?

IMPORTANCE OF THE 1979 YEARBOOK

Mr. WEBSTER. I would say, Mr. Andrews, that they can use it as individual farmers and as farm organizations in their own information campaigns. Young people in Fargo, Bismarck and Sioux Falls, as well as in New York City, sometimes still have the view that the food comes from the supermarket, not from the farm. This yearbook is a radically different design and approach from the past because of the need to help instruct our urban people of the importance of agriculture and help farmers in that way.

Mr. ANDREWS. Nobody is arguing with you on the importance of instructing the urban people about food and letting them know that it doesn't come from supermarkets. You and I have gone around and around on this for a couple or three years. In fact, as I recall, we have suggested to you that you step up the publications that go out through the Consumer Information Center because we want to fill this need. What we are objecting to and are concerned about is that you took the traditional method of getting information out to the farmers—the yearbook—and you used it to do what the Committee had told you to do with consumer information booklets.

I am not arguing the fact that we need to get out information on food to the consumers, but not at the expense of our farmers. You

could have done a yearbook on livestock diseases. That has not been updated since 1950. How many publications has the Consumer Information Center distributed so far and at what cost?

DISTRIBUTION OF USDA PUBLICATIONS

Mr. WEBSTER. In 1980 they will distribute 4,661,000 publications at a cost of $750,000. The FY 1980 appropriation language restricts any further reimbursement to the CIC.

Mr. ANDREWS. As I recall, the conferees instructed you to work with GSA to insure the continued availability of the most important publications. Now you are telling me you are out of money. You spent your whole wad in the first half of the year.

Mr. WEBSTER. That is correct, sir.

Mr. ANDREWS. Did you do anything to limit the distribution to the most important publications?

Mr. WEBSTER. We talked with the Consumer Information Center about methods of cutting costs and stretching this as far as they could. We did cut back on certain of the less popular publications in an attempt to keep those number one, two and three sellers which traditionally come from USDA available longer. This was an extremely difficult task, for when you broadcast so widely the availability of publications, you will always be inundated with requests. Thus, funding for handling and postage will run out after two quarters.

Mr. ANDREWS. So for the next six months, even though you just got done talking about how important it is to get the consumers this type of information, you are not going to be able to get any information to the consumers. I expect the next consumer information bulletin list will have no farm bulletins on it.

Mr. WEBSTER. I am advised, Mr. Andrews, that the fall catalog, which will go out in September, anticipating money available in the new fiscal year, will again have agricultural and food publications listed.

Mr. ANDREWS. But it is now early March and from early March to the first of October you will not have any consumer publications from USDA because you spent your full appropriations. You weren't, shall we say, prudent with your distribution.

Mr. WEBSTER. May I defer to my colleague, Mr. Goodpaster?

Mr. GOODPASTER. We are trying to work out a system with GSA, where we can fill any carryover requests that come to CIC after the postage money runs out.

Mr. ANDREWS. From the way you are shaking your head, it looks like you think it will be pretty tough to work out.

Mr. GOODPASTER. It is a matter of how we can properly do it without violating the intent of these payments.

ENERGY INFORMATION CENTER

Mr. ANDREWS. I understand that you are going to set up another target program of an Agricultural Energy Information Resource Center. What kind of information are you going to distribute from this office?

Mr. WEBSTER. This would be the results of research on conversion of

agricultural products and by-products, ethanol, methanol, gasohol, technical information on how to build and operate facilities at the farm size or larger than farm size.

Mr. ANDREWS. So if a farmer wanted to establish an alcohol plant on his farm, he would be able to find out what program USDA has that could help him and inform him on how to build a plant?

Mr. WEBSTER. That is correct, Mr. Andrews. I think one of the most serious lacks or voids we have in our information program is readily available material for farmers who are very interested, as you know, in this technology.

Mr. ANDREWS. Is this going to be an office that gives out information on the production of energy, not just the conservation of energy?

Mr. WEBSTER. It is both, sir.

FIELD INFORMATION OFFICES

Mr. ANDREWS. Finally, for two years you have requested funds to set up regional field information offices. This request, as you know, was rejected by the Congress. Now I understand you have set up these offices.

Mr. WEBSTER. We asked for $300,000 last year, Mr. Andrews, to provide some additional funds to augment a system of five field information offices that currently, for the last 35 years, have served and been operated by the Agricultural Marketing Service for itself and four other agencies. The Congress did not grant that increase. What we are proposing is a simple administrative transfer to the departmental level of those five field information offices that now serve five agencies. The Secretary notified the committee by letter on February 5, 1980. We have dropped the plan for any additional GPA funds at the field level.

Mr. ANDREWS. What assurance can you give the Committee that the additional burden placed on these agencies is not going to be harmful to their normal operation?

Mr. WEBSTER. We don't anticipate any additional burden, Mr. Andrews.

Mr. ANDREWS. By taking money out of the agencies it is not going to burden them. Do you mean they already have more money than they need?

Mr. WEBSTER. No. The funds that the agencies now spend for those regional information offices administered by AMS, would continue to be spent at the same level for the same level of services. Only the locus of the administration would change. We would anticipate that economies in operations will allow them more efficient use of the time. For instance one of the men in Chicago goes to deliver information or press releases to the Chicago Tribune, instead of taking one AMS and one Federal Grain Release, he can take along with him a third one which may talk about general agriculture or departmental programs.

Mr. ANDREWS. So they are just doing it in their normal course of affairs?

Mr. WEBSTER. Yes, in a way. They are listed high in the alphabet as "Agricultural Marketing Service, Agriculture, Department of," in the telephone book. Such a listing brings them a large number of calls from the media and from the public asking questions such as what is the

story on this disaster program, what is the story on food prices, and things that their agencies do not have responsibility for. To try to be good public servants they try to fill those requests.

Mr. ANDREWS. What you are telling us now is that you didn't need the regional field offices you originally requested because you already had the staff in field to do this with little or no expenditure.

Mr. WEBSTER. We would have been able to do a better job by the addition of one other person at each location who would provide an overall coordination to the additional activities which I have previously mentioned.

Mr. ANDREWS. But what you said a few minutes ago is that people are out in the field and they can do it without interfering with their normal business.

Mr. WEBSTER. That is right sir. But with the addition of one other person we would have been able to get out more information more quickly and precisely.

Mr. ANDREWS. That is one thing we did when we held you back from setting it up originally. We helped you find a way of doing it with resources you already had.

Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Hightower.

Mr. HIGHTOWER. I don't have any questions at this time, Mr. Chairman.

Mr. WHITTEN. Mr. Myers.

COST OF 1979 YEARBOOK

Mr. MYERS. Thank you, Mr. Chairman.

Secretary Webster, what did this yearbook cost to produce per copy?

Mr. WEBSTER. Per copy, Mr. Goodpaster?

Mr. GOODPASTER. $1.30.

Mr. MYERS. I take it from your testimony that it took longer to get this publication out on the streets; that this cost more than yearbooks have in the past?

Mr. WEBSTER. On a per copy cost, it is the cheapest yearbook in our history. It is the cheapest sale price of $4.50. I cannot speak for the publication price 30 or 40 years ago, but in the last 20 years it is the lowest per copy cost of printing and the lowest in all history of a resale price.

Mr. MYERS. You told Mr. Andrews a moment ago about what your next yearbook would be about. Is it going to be a hardbound copy or a paperback like this one?

Mr. WEBSTER. I would hope that it would be a hardbound book. We would have to look at costs again as we did this year when we made the decision to go paperback; it was for a saving of $90,000.

REACTION TO THE 1979 YEARBOOK

Mr. MYERS. Well, I don't think that is nearly as important as the content. It has been the subject of some ridicule, not only by this Committee, but by people back home. I know some of the people have written and asked me for the yearbook. They didn't want this; they wanted the yearbook. It is difficult for us. I realize it was published with good

intention by the Department. I think all of us concur and I am sure after being here you might have second thoughts; and I am sure you will after you get through hearing from everyone all over the country. Have you had any comments good or bad from around the country?

Mr. WEBSTER. Mr. Myers, we have been inundated by comments good and bad, but mostly good. The Governor of Connecticut asked the Secretary for 10,000 copies for distribution to the schools. We don't have that many copies.

Mr. MYERS. Usually everybody has wanted copies.

Mr. WEBSTER. We have had an inquiry from the ABC television show, Good Morning America, for a person to appear and discuss the yearbook because they were fascinated with it. It is the first time a network show with that kind of audience has ever asked for someone from Agriculture to talk about a topic like this.

Mr. MYERS. How about farmers?

Mr. WEBSTER. The National Turkey Federation, the National Association of Wheat Growers, the Milk Industry Foundation, the Agricultural Council of America, Continental Grain Company, and the just retired President of the National Farmers Union have all written me letters of high praise of the book. Any number of individual farmers who have come down have looked at it and after going through it, they have told us they are very impressed. Two farm wives from Nebraska who were in to see me last week told me they were very disappointed in it.

Mr. WHITTEN. This committee is impressed. I would not say in which direction. I think it would make an excellent publication, I don't think it should be classified as meeting the requirement of the law for a yearbook that helps the farmer, except perhaps indirectly, in that I think it will be readily accepted by television.

It is next to impossible to get television and radio to do anything that will help the fellow who is farming. That is the reason this law is like it is and the reason the committee is insistant. Had this been a bulletin or a publication to try to get public support for agriculture, I would understand it because our bill has a lot of items in it that are there because they are sound and because they help to get an understanding by non-producers. So I don't differ with that. But in the process you have eliminated that which is so badly needed.

The reason the law is there is because the news media and these organizations that you are talking about often don't make this point. So you have gone off after the crowd, if I may say so, which I have to do myself in trying to get support for agricultural programs. We try to keep the voters of our city members on the Floor and we have been very fortunate.

We have had to insist that you continue the study of wholesale markets in the cities. We insisted it be put back as a separate item. We have the urban gardening program and every time the department cuts it out you can figure it will be put back. 4–H type work in the cities and nutrition aids in the city, I can understand those. But it is when you displace that which is so badly needed that our complaint comes.

I anticipate that it will be a bestseller. Our arguments here will probably add even more attention to it, although perhaps I am flattering myself that anybody will read what we say here. But that is not the test of doing something to help the few that are in agriculture.

I had suggested the other day, and I still think the committee may give consideration to it, that Congress provide funds specifically to bring the livestock health yearbook up to date on the grounds that that could be done expeditiously. Now the information given us about your next year's plans was that you were going to discuss your policy and the whys and wheres of the department's policy. I could not see that that would interest the children from 9 to 12 or that it would especially interest the farmer when he could not get to see the fellow he wanted to. So I just want to agree that this has a value in that area but it is missing the boat by not looking after the fellow who we are counting on to produce our food.

TOPIC OF 1979 YEARBOOK

Mr. WEBSTER. Mr. Chairman, I attempted to say in my opening comments that we very clearly did misread the admonition of the Congress. It was my error in assuming congressional acceptance after we had notified the committee in the hearings for the FY 1979 appropriations and in the 1980 appropriations of the topic and the audience.

Mr. WHITTEN. I had occasion to look at the hearings. Of course that was an answer in reply to a question that was submitted in writing for the record.

Mr. WEBSTER. In the 1980 hearings that is correct, but in the 1979 hearings in an oral answer, I said the 1979 yearbook is going to be an exposition of how food is produced and why it is important to eat good food, tailored to an audience of perhaps 10 years in age and above. The idea would be to help them understand the basic economic facts of the production and the marketing system and why good food is important.

Mr. WHITTEN. Incidentally, one of my colleagues thoroughly enjoyed the jokes that you had in here.

Mr. WEBSTER. The afternoon after Secretary Bergland's appearance, the second day here, and much comment was made about the humor in it, my 10-year-old son came home from school and he showed me a joke book that he got at the library. It had some pencil drawings on it. One had the letter C repeated about 10 times across the bottom of the page and the letters GI right above it. He said, what is that Dad? He said it is a GI overseas. That is its kind of humor that does attract this audience.

Mr. WHITTEN. I am sure if that is what your purpose is you have done a good job of it.

Mr. ANDREWS. That is a long way from South Dakota.

Mr. MYERS. I guess I will have to say I am not sure I even agree with the level at which this publication was written. I don't think anyone likes to be spoken down to or looked down on. I look upon this at a level even below that for a 12-year-old, and it has been a long time since I have been there or even around kids that age: but it seems to me that we need to encourage people to operate on a higher level or think on a higher level.

This certainly doesn't encourage kids to start thinking that way. I don't disagree with you for a moment that we don't need to educate our children along many lines. If I were a teacher I don't think I would use this publication. My wife used to be a teacher. We were al-

ways trying to elevate young people into thinking on higher levels instead of at an adolescent level like this. If this is a bestseller, I guess maybe I am in the wrong business. I notice that you were an editor of several newspapers. Did your publications come out on this level? I know some of them are written at about this level.

Mr. WEBSTER. There was one page of a REA cooperative publication that I edited for some years out in South Dakota that was devoted to this level.

Mr. MYERS. If it was one page I don't think you would have heard a peep out of this Committee or the people in the country. I think young people have to be considered. They are a vital resource to our country. Most of us here are parents and some even grandparents. But to devote the whole publication to young people, that is what we are talking about. We want to educate those young people, of course. You have to get on their level to do it. I know that, although I have never taught school. I know you have to speak at that level. I get criticized once in a while, they say, "talk to us like you do your colleagues, don't talk down to us." They will pick up on that when you do it.

Mr. WEBSTER. There will be a difference among educators, but every reaction we have had from educators to date has been very positive. On the point of elevating or increasing the knowledge of someone, my 10 year-old son, again if I can generalize from a particular, on the first night he looked at it, he turned to the map on page 112 on where food and commodities are produced around the world. He sat there during the Winter Olympics not watching the skiing, but reading the book. He asked me, "Dad, what is cassava?" I told him it is used in competition with our feed grains and produced in Thailand and Africa. I found that a stimulating opportunity for me to communicate with my son and for my son to learn more about agriculture and world trade.

Mr. MYERS. Well, if he happens to go into the world trading business it will be very valuable to him, but if he is not on a quiz program he will never use it. Obviously we have a difference of opinion. The publication is out and probably got more attention than it deserves. Possibly we ought to go on to greater things. You have many good publications and the good ones have been sold out. You have a big responsibility.

I completely agree with you that too many of our society today believe that food comes off the shelves in a store. I guess as farmers we have done a poor job of selling our product, literally selling it, as well as obtaining the acceptability and showing the need for the product.

After seeing this I think we will show why we have the problems we have. I guess it will be a hidden resource. Maybe people will begin to realize we do need a lot of help in agriculture and in the Department, too. Thank you.

Mr. WHITTEN. Several of our Committee Members had prepared some questions which we would like answered for the record.

[The questions and responses follow:]

VALUE OF ADVERTISING

Mr. BURLISON. Has your department instituted an evaluation program to routinely assess the cost-benefit of advertising and public-relations efforts? Would such a program be of value?

Response. No, we have no evaluation program to routinely assess the cost and benefit of advertising. Yes, such a program would be of value. But we prefer to think of our needs as one requiring communication research so that we might not only assess all our information programs but eventually predict which methods will be most useful and most effective to the public. We have that ability now, though it is based on experience. We need to have more objective methods for assessing all our programs.

PROMOTION OF GOVERNMENT OBJECTIVES

Mr. BURLISON. In FY 1978, the Department of Agriculture estimated that it would spend over $2.7 million for "promotion of Government objectives." Have you assessed the value of these expenditures?

Response. "Promotion of Government objectives" through advertising appears to be a misleading phrase. The largest percentage of the amounts reported in that category to GAO relates to attempts to tell farmers of crop insurance programs. The philosophy of using advertising to tell the crop insurance story may be correct, since it means a sale to an individual who risks an individual effort and who may then be paid in case of disaster. Thus, the question may not be whether the value of the expenditures is worth the dollars spent in advertising but instead, in principle, it merely is the correct and right way to inform people of a program that has specific individual benefits rather than broad, general benefits to everyone. Additionally, it is an activity carried out under the authority of crop insurance statutes.

PUBLIC RELATIONS ACTIVITIES

Mr. BURLISON. Critics contend that, with the exception of personnel recruiting, advertising and public-relations activities are nothing more than propaganda efforts. What are your views on the necessity for maintaining these programs?

Response. We do not consider those information programs as public-relation activities, if only because of the kind of information they issue. For instance, no information is provided anyone except upon request. Largest users of the information are the mass media who receive news reports on such things as domestic and overseas harvests, grain price trends and sales, scientific research results, feed diversion announcements, water outlooks, regulatory actions, energy conservation measures, fertilizer uses, economic outlooks and so on. We also produce many publications for direct request by the public. We do not think these efforts are propagandistic for they provide information of significant benefit and usefulness to the agricultural industry and to the Nation's economic well-being.

We attempt to avoid puffery in all our information, trying to assure that our information is written and prepared objectively much as a commercial news reporter or broadcaster would prepare it. We rely heavily on use by the mass media, and if the mass media perceives our information as propaganda or public relations, they will not use it. The mass media rely heavily on our information people too, for the mass media cannot hope to cover everything of significance that is going on in agriculture without our help. We have no estimates of costs, but it is likely that were all information programs handled by contract public relations firms or through advertising campaigns, the expense would be most prohibitive, making the $27 million now spent on information in the Department the best bargain the taxpayer receives from his government.

PUBLICITY EXPERTS

Mr. BURLISON. Title 5, U.S. Code Section 3107, prohibits use of appropriated funds to "pay a publicity expert unless specifically appropriated for that purpose." How do you distinguish your advertising and public-relations personnel from "publicity experts"?

Response. We have no advertising personnel, we have no public relations personnel, we have no "publicity experts." All of these titles are contrary to our philosophy, our concept of public service, and our professional ethics as members of the communication discipline. As we have indicated, we attempt to remain objective in our reporting of agricultural activities. We do, of course, attempt to initiate, to find, and to produce information on subjects that will

be useful to the public and to farm people. But we try to do that as if we are "public advocates," rather than advocates for the Department of Agriculture.

ADVERTISING EXPENDITURES

Mr. BURLISON. Using the reporting format called for in OMB Bulletin 78–8, would you provide actual FY 78 and FY 79 and estimated FY 80 and FY 81 advertising expenditure data for your department?

[Clerk's Note: The information requested could not be provided in time for printing and will be submitted to the Committee.]

Mr. BURLISON. OMB Bulletin 78–8 specifically excluded in-house advertising expenditures. Would you provide this internal advertising cost data utilizing the same reporting categories?

[Clerk's Note: The information requested could not be provided in time for printing and will be submitted to the Committee.]

Mr. BURLISON. Another area not covered in the OMB report involves public-relations or public-affairs expenditures. Would you provide actual and estimated public-relation expenditures and manpower for FY 78 through FY 81?

[Clerk's Note: The information requested could not be provided in time for printing and will be submitted to the Committee.]

COPIES OF ADVERTISING MATERIALS

Mr. BURLISON. Would you provide a tape or transcript of all broadcast media advertising and a copy of all printed media advertising? In those cases where a single ad is used many times, only one copy is required.

[Clerk's Note: The material requested will be provided to the Committee.]

1979 YEARBOOK

Mr. TRAXLER. Mr. Webster, you know that this Subcommittee disagrees with your method of handling the 1979 Yearbook of Agriculture. We believe that this yearbook should be for farmers, and by that we mean that it should help farmers conduct their operations more efficiently. Some farmers say they want it to continue their collection, and they would feel funny not having a 1979 Yearbook. That is the wrong reason for someone to want this book, and it is one of the problems that you have created. What kind of comments do you solicit regarding the topic choice for the yearbook? Do you solicit comments from Members of Congress? Will you solicit such comments in the future?

Response. As we have said, apparently we misread the intent of Congress regarding the content of the Yearbook. We do think it is a valuable tool for farmers to use as they explain agriculture to other people.

It is wrong if the only value of any Yearbook is to complete a collection. So as we have mentioned, we plan to develop the 1980 Yearbook on Energy Conservation. Certainly we shall solicit ideas and comments from Members of Congress, and we shall do a better job in the future of keeping this committee aware of plans and activities.

Mr. TRAXLER. If you wanted to issue a Yearbook on Nutrition, why didn't you just ask for additional resources? I support the concept of what you are trying to do with the publication. I have my doubts of whether or not the book will be fully read by its intended audience. Nutrition is certainly an essential subject and you should be doing more to convey information about it. Wouldn't it be better to make these efforts in addition to the traditional Yearbook as opposed to instead of what farmers expect?

Response. The 1979 Yearbook is not a nutrition book; it is a food book. It contains information on food and agriculture broadly; in fact, only one section of the eight contained in the book addresses nutritional concerns.

CONSUMER INFORMATION CENTER

Mr. TRAXLER. I was also very disturbed to hear from David Peterson, Executive Director of the Consumer Information Center that as of April 1st, he will have to discontinue the availability of agricultural publications in the Consumer Catalogue due to the exhaustion of funds for this project. Last year you were directed to work with GSA to insure the continued availability of the publication—meaning get the cost down. Yet you apparently just went ahead and spent the

$750,000 without either trying to get the cost down or advising this Subcommittee of the predicament. How did this happen? If you are supposed to get the farmer's story to the public—as you claim you want to do—how do you do it if you lose access to the Consumer Catalogue?

Response. The Department advised the Consumer Information Center at the beginning of FY 1980 that USDA reimbursement for postage and handling would be limited to $750,000. At that time the CIC Fall Catalog was well in place. Those discussions with CIC continued into late December on the best method to handle the cut-off of USDA publications. At that time, the CIC spring catalog had to go to press—and at the recommendation of CIC the catalog carried the USDA publications with the understanding that there would be no mention of USDA publications in the Summer and Fall 1980 catalogs.

The Department does distribute publications in other ways—through the Extention Service, Department agencies, direct inquiries to USDA, the USDA Visitor Information Center, and through congressional lists. These methods of distribution will continue; however, service to the public in general will suffer as a result of the cut-back in Consumer Information Center distribution. The Consumer Information Center does provide an efficient, economical method of serving consumers.

Mr. TRAXLER. What are you going to do about the problem? Did you request a supplemental appropriation and get turned down by either the Department or OMB?

Response. Although the Consumer Information Center has stopped mentioning USDA publications, there will be some requests that will come to the Center after the USDA reimbursement funds are exhausted. The USDA is attempting to work this out in an acceptable manner so that those members of the public get the publications they have requested. If that cannot be done, individuals will simply receive a statement that the Center is not able to fill the request for USDA publications.

We did discuss the possibility of requesting a supplemental appropriation to deal with this problem. We elected not to request a supplemental appropriation.

SCHOOL PROGRAM KIT

Mr. TRAXLER. I do want to compliment you on the school work program kit, "The Great American Farm". I think it is an excellent idea and should be promoted. What are you doing to get this packet into schools? Are you sending it directly to the schools or at least advising them of the availability? What has been the request level of it so far?

Response. A copy of "The Great American Farm" teaching kit was sent to more than 60,000 public and private elementary schools when the kit was first produced in late 1977. Reserve supplies amounting to more than 20,000 copies were exhausted last year and an additional 25,000 sets were reprinted. The kits are distributed free to teachers and to people working with teachers. The reprinting orders have been averaging more than 1,000 copies a month.

"The Great American Farm" is part of a package of information materials produced by the Office of Governmental and Public Affairs. The materials are currently being tested in a pilot program involving the Maryland State Department of Education, the Maryland Department of Agriculture, the Maryland Farm Bureau, the University of Maryland, the Cooperative Extension Service, and the Future Farmers of America. The information package has been tested in four schools in Maryland and is now being mailed to 2,000 schools in the state. The Maryland program will form the basis of a nationwide effort to increase distribution to the school system of accurate and up-to-date information about farming.

The Office of Governmental and Public Affairs also produces a teaching package for senior high school teachers called, "From the Earth to Your Table". It is part of a separate distribution and promotion effort.

Mr. TRAXLER. Do you plan to provide additional copies of these kits and from your supply the Nutrition Yearbook to the various nutrition education centers that you have through the Expanded Food and Nutrition Education Program, the Women, Infants and Children Feeding Program, and the Commodity Supplemental Feeding Program?

Response. We are exploring several ways to provide maximum distribution for the Department's information and education materials on food pro-

duction and nutrition. For example, we are looking into the possibility of producing separate leaflets out of the 1979 Yearbook to meet special information needs of various audiences. These separate materials, as well as the Yearbook, will be promoted to all appropriate state and local units affiliated with the Department. Such units include the 1,200 sites of the expanded Food and Nutrition Program, the various Women, Infants and Children distribution and education centers, and the Commodity distribution centers. One reason for the paperback cover of the Yearbook was to bring the cost down to $4.50 so that many schools, libraries and other educational centers who normally do not receive the Yearbook, could obtain copies at an affordable cost.

COORDINATION WITH OTHER AGENCIES

Mr. TRAXLER. What coordinating plans do you have for these efforts with the Department of Education? Will they receive or buy some of these materials from you, or will they go off and start their own nutrition education efforts?

Response. The Department is coordinating its nutrition education activities with HEW through the informal HEW/Agriculture Coordinating Committee. For example, the recently published Dietary Guidelines were produced and distributed jointly by the two Departments. At the State level, Agriculture and HEW efforts are coordinated by State Nutrition Councils and at the county level, by active referral systems maintained by the cooperative extension service and various health facilities. As the new Department of Education becomes more operational, we shall coordinate plans there as is appropriate and possible.

Mr. TRAXLER. If you want to "provide information to our primary audience, the farmer", as you claim in your statement, what do you plan to do that would raise the publication limit imposed on Members, and if you are willing to increase the limit of three publications that you have in your agricultural publication list booklet?

Response. We will be happy to work with the Committee on this situation to seek an agreeable solution.

In all probability, the Department could easily distribute twice as many publications as it has in recent years if we were to lift the restraints on distribution that we have maintained in recent years. The major problems, of course, is adequate funding for printing and distribution of added numbers of publications.

CONSUMER VS. PRODUCER

Mr. ROBINSON. I must say, Mr. Webster, that I am unhappy with the tenor of policy you express in your testimony.

I join my colleagues in their objections and observations on the 1979 Agriculture Yearbook.

The section of your testimony dealing with "Creating a Better Understanding of Agriculture" seems to emphasize the consumer and not the farmer. I agree with you that the public should be generally aware of the importance of the farmer in our society, but your activities strike me as going to the extreme.

Of the nine "plans" you present, I must say that plan 9 is the only one that is totally appropriate and worthy of funds earmarked by this committee for agriculture.

Points 1 through 8 could be consolidated to a low key, low cost endeavor while the farmer might then receive the attention and money intended for him.

Why do you see the role of the United States Department of Agriculture as a consumer affairs department? Granted, the farmer is a consumer, but more importantly he is the producer. Without the American farmer continuing to produce at phenomenal rates, food costs would sky-rocket and chronic shortages would occur.

Furthermore, when it is imperative that the federal budget be balanced, it becomes all the more important that allocated funds be spent for their intended purposes, or not allocated at all.

Response. We do not see the role of USDA as a consumer affairs department. But as the committee has pointed out in recent years, there is need for others to understand the needs of agriculture, the needs of farmers. Otherwise, in the competition for funds, if only by virtue of the small numbers of farmers competing for a part of a limited federal budget, taxpayers may not permit the funding of agriculture if they do not understand the industry.

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As you indicate, points 1 through 8 of our budget increase could be consolidated to a low key, low cost endeavor. We have tried to make it so. Although it is apparent that eight points add up to a larger total than the ninth alone, we too see the ninth point as most important. We feel, however, that farmers will benefit from the other eight for they themselves are frequently called upon to explain agriculture and they rely heavily on materials we have produced for that purpose.

INDEX OF PUBLICATIONS

Mr. HIGHTOWER (presiding). Do you have in your department an index of publications currently in print and available?

Mr. GOODPASTER. Yes, we have lists of the various classifications of publications.

Mr. HIGHTOWER. And you have them broken down into categories such as——

Mr. GOODPASTER. Farmer's bulletins, Home and Garden Bulletins, Leaflets, Handbooks and so on.

Mr. HIGHTOWER. Consumer bulletins? Do you have some, if we wanted to look and see what you had, that would be available that would really address the 9 to 12 age group, high school group? Do you have them broken down in those categories, also?

Mr. GOODPASTER. Not by age group.

Mr. HIGHTOWER. If a teacher at home wanted some publications that would be helpful for a junior high age group, could I get a list from your department? Do you have it broken down that way?

Mr. GOODPASTER. Yes, you could get a list. It is not an official department list, but in Governmental and Public Affairs we know what the publications are and that letter would come to us and we could provide a rundown of what materials would be available.

Mr. WEBSTER. I might add it would be a very short list. Although over the last seven or so years the agency has produced People on the Farm, a series which you may be familiar with. We have published single booklets on, I believe, 5 different types of farming. The most recent one has to do with minority farming. There are earlier ones on citrus producers, on broiler producers, on beef and dairy.

Mr. HIGHTOWER. The reason I asked this was that I received in my office a package of publications. I thought it might be helpful not only to the Members of Congress but to you in the Department if you indexed these so that you might see what areas attention should be given and where you might be deficient in publications in print. I know that from time to time publications that have been available go out of print. You are going to have to make a determination as to what needs to be updated and what needs to be reprinted.

Mr. Andrews, do you have any further questions?

Mr. ANDREWS. No further questions.

Mr. HIGHTOWER. Mr. Myers?

Mr. MYERS. No further questions.

Mr. HIGHTOWER. Mr. Webster, we appreciate very much your testimony here this morning.

The Committee is adjourned.

[The Explanatory Notes for the Office of Governmental and Public Affairs is contained in the Notes provided for Departmental Administration, pages 475 through 535. The prepared statement and biographical sketches follow:]

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS

Statement of James C. Webster, Assistant Secretary
for Governmental and Public Affairs before the House Subcommittee
on Agriculture, Rural Development and Related Agencies

Mr. Chairman and members of the Subcommittee, I am pleased to be here today to talk about the Fiscal 1981 budget request for the Office of Governmental and Public Affairs because it gives me an opportunity to tell you some of the things we have been doing and to describe some of the things we hope to do. Progress in two areas deserves special comment.

FY 1979 YEARBOOK

First, the 1979 Yearbook of Agriculture, "What's to Eat? And Other Questions Kids Ask About Foods", will be a most effective and useful resource in the education of both rural and non-rural people about the entire food system and the critical role that farmers play in that system.

An audience at the upper elementary school level was chosen because it is important to reach and interest young people while their curiosity is high and open. Moreover, the interesting, entertaining and informative nature of the book will make it highly readable for older children and adults as well.

FIELD INFORMATION SERVICES

Second, the integration of field information offices in New York, Atlanta, Chicago, Dallas and San Francisco with GPA will permit faster and more direct contact with the news media and the public in the field than has been possible in the past with all distribution of national information materials handled exclusively from Washington.

In view of the decision of the Congress last year not to increase the appropriation for field information services, we are committed to doing this job without an increase in funding. The five offices will continue to serve the information requirements of the five USDA agencies which fund and staff them -- the Agricultural Marketing Service, Food Safety and Quality Service, Animal and Plant Health Inspection Service, and Office of Transporation -- at historical levels but, in addition, help improve information dissemination for the Department as a whole.

FY 1981 BUDGET REQUEST

The increase of $1,686,291 which we are requesting can be broken into three major parts.

The first part reflects inflationary trends. It includes $43,000 for pay adjustments and $431,291 for increased operating costs.

A second part amounts to $625,000 for funds that will allow us to maintain the level of distribution of publications through the Consumer Information Center--a most effective channel for reaching new and different people that our traditional methods for distributing publications do not reach. In fiscal year 1980, the Congress specified a limit of $750,000 for payment to GSA for distribution of publications from the center and requested that this Department "work with GSA to insure the continued availability of the most important publications through the Consumer Information Center." Recognizing that the distribution of timely and useful information is an essential element in the realization of this responsibility and through a general program of providing fewer but better publications, we are requesting a change in the appropriation language, eliminating the provision restricting the amount of reimbursement to the Consumer Information Center.

The third part relates to a need that I would like to address with some emphasis throughout the remainder of my testimony. It's a need for $587,000 to improve our ability to do two critical things--to create a better understanding of agriculture and to better fulfill the public's need for information useful to them.

CREATING A BETTER UNDERSTANDING OF AGRICULTURE

This subcommittee has been most helpful in that regard in years past. You have been concerned as we have about the need for better understanding among the general population of its dependence for food and fiber on a very small number of people who actually farm the land of this nation. With your direction and assistance, we have made some progress in telling the story to that group of people.

We have issued special publications, widened the distribution of our radio and television materials and completed several projects that have reached new audiences with the farmers' story.

For instance, we have had a great deal of acceptance of such projects with educators in both primary and secondary schools. We have begun working more closely with farm-oriented groups that share our interest in spreading this information to non-rural audiences. We also have pooled our funds with some USDA agencies to develop better explanations of multi-agency programs, such as those in food, nutrition, gardening, conservation and food safety.

For the most part, we have relied on the mass media to help us tell our story. That is less expensive, of course, but we also are less able to focus our information to a specific audience.

Now, the rapidly-changing character of the times requires that we put added strength into these tasks.

We still need to provide information to our primary audience, the farmer. We need to give them information that will help them tune their production to the needs and realities of markets. We need to help them manage better and shorten even more the time lag between research and use.

For that broader audience beyond the farm community, we have but touched the surface of possibilities. Today's issues--exports, energy, transportation, conservation, inflation and economics, food and nutrition, food safety, international development, rural development--need focus. That focus needs to be made meaningful by presenting ideas, techniques and understanding. Only then can the public cope with the challenge of understanding the complex issues of agriculture and the food system and gain more appreciation of the people who make those parts of our society run.

While many of the department's agencies develop specific information programs, only the Office of Governmental and Public Affairs has the capability and authority to coordinate multiple agency information programs into useful forms the broader public wants and needs.

TARGET INFORMATION PROGRAMS

Today's communications require, more than ever, the ability to target on specific audiences. We need to reach more schools, more civic groups, more special interest organizations, more groups that can help us tell the story.

To strengthen our present efforts in this direction, to expand on the movement that we feel is going in the right direction, we have made these specific plans:

1. Step up efforts to tell the public and various target audiences about the role of farming and agriculture in the national economic system.

   Items produced would be a series of booklets and slide sets for educational use and short television films and radio tapes on market innovations, farm management techniques, and other specific farming techniques.

2. Produce booklets, slide sets, films and other training devices to increase understanding and to explain the changing economics of the American food system.

3. Establish an information program to work with national, state and local organizations--consumer groups, farm organizations, women's groups, educational associations and other groups--to create a means for targeting the distribution of materials useful to the people served by such organizations. This effort would assure that we were sending materials produced in points 1 and 2 to the right places.

4. A portion of the requested funds would be used (a) to expand our participation in overseas radio programs to create a general understanding abroad of our food and agriculture policies and (b) to explain domestically by other methods, in partnership with the Foreign Agricultural Service and commodity organizations, the importance of farm exports to the national economy.

5. Establish an agricultural energy information resource center so that materials generated by the involved USDA agencies would have a central point for information activities. The center would originate special materials for farmers about energy conservation methods and for the consuming public about agricultural energy needs.
6. Sharpen our existing inventory of nutrition and energy conservation information in USDA and to expand it to other subjects. This activity would help marshal land-grant universities and agency groups into a cooperative publishing program to avoid duplications and to share rising production costs which all of us face.
7. Develop a continuing liaison with the major magazines of the country. Use of food and agricultural material by national magazines is growing, but we need to help direct its use into issue-related areas and urge others to help us disseminate such information.
8. Produce a coordinated Spanish language publications program to develop the means to handle or review the department's growing Spanish language correspondence.
9. Create an information program for those farmers who have less access to information than others. We would produce fact sheets aimed directly at them and direct similar information to small town radio stations where farm broadcasters are not located. In these ways, small farmers could receive practical information about USDA programs and materials that would bear on all aspects of farming and rural living.

Mr. Chairman, that concludes my statement. I will be pleased to answer questions at this time.

BIOGRAPHICAL SKETCH

JAMES C. WEBSTER

JAMES C. WEBSTER, 41, is Assistant Secretary for Governmental and Public Affairs, U.S. Department of Agriculture.

He is a native of St. Paul, Nebraska, where his parents were weekly newspaper publishers. He studied at Creighton University in Omaha, Nebraska, and General Beadle State College, Madison, South Dakota.

Beginning in June 1957 Webster was with United Press International in Omaha, Pierre, Sioux Falls, and Milwaukee bureaus. In June 1963 he became managing editor of the Madison Daily Leader, Madison, South Dakota. Through May 1968, he also did public relations and legislative work for East River Electric Power Cooperative, Madison, South Dakota.

From May 1968 through December 1969 he was editor of the monthly East River Guardian, and in 1969 also was acting editor of the South Dakota High-Liner.

Webster was director of public relations for the American Public Power Association, Washington, D.C., and assistant editor of the association's magazine, Public Power, from January 1970 through January 1973; press secretary and legislative assistant in agriculture for Senator George McGovern from February 1973 through December 1974; chief clerk and press secretary of the Senate Committee on Agriculture, Nutrition, and Forestry from January 1975 through February 1977; and joined USDA March 1, 1977.

Mr. and Mrs. Webster and their four children live in McLean, Virginia.

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BIOGRAPHICAL SKETCH OF ALVIN P. CAULEY

Mr. Cauley joined the Department of Agriculture in August of 1968 as a management analyst. During the past eleven years he has served as a senior manager in the Office of Operations and Finance of the U.S. Department of Agriculture. He had previously worked for AutoTech a management consultant firm as their Senior Automation Specialist responsible for furnishing logistical systems to NASA's APPOLLO networks and participated in the implementation of the Current Research Information System (CRIS) for the Department of Agriculture.

From 1966 to 1967 he was senior consultant for the design of a corporate budget system model for EBS Management Consultants, Inc.

From 1964 to 1966 he worked as a programmer/analyst for C-E-I-R, Business Data Processing Division, Bethesda, Md.; and Documentation, Inc., Bethesda, Md.

From 1958 to 1964 he was employed by GSA as a programmer, computer operator and an EAM operator.

BIOGRAPHICAL SKETCH

ROGER SANDMAN

Roger Sandman, a native of Cambridge, Nebraska, was appointed Deputy Director, Intergovernmental Affairs, Office of Governmental and Public Affairs, in January 1979. He was Director, Department of Agriculture, Lincoln, Nebraska in 1977. He served as Deputy Director of the Department of Agriculture from 1971-1977. He received his B.S. from the University of Nebraska-Lincoln in 1965 in Agricultural Education. He then taught vocational agriculture in Nebraska for 5 1/2 years. He has served as President of the Nebraska FFA Alumni; Vice President of the Mid-West Association of National Agricultural Marketing Officials; past member of the Board of Directors of the National Association of State Rural Rehabilitation Corporations; and as past Secretary of the Nebraska Committee for Partners of the Americas.

Among his many honors, he has received an Honorary Chapter Farmer Degree from the FFA in 1968; Honorary State Farmer Degree in 1975 from the FFA; and holds Honorary Memberships in Alpha Zeta, Alpha Tau Alpha and Alpha Gamma Rho. His wife's name is Theresa and they have two sons.

Larry D. Meyers
Biographical Data

Larry Meyers was born and raised on a family farm near Muleshoe, Texas.

He has been involved in all phases of agriculture from working as a field hand to managing an irrigated cotton and grain farm as well as owning a cow-calf operation.

Larry Meyers brought this experience in Texas agriculture to the staff of Senator Lloyd Bentsen in 1972, working first as a legislative assistant and later as the coordinator of the legislative staff. He was deeply involved in the preparation of the 1973 and 1975 farm bills, in land use and water issues.

In 1977, Meyers joined the Congressional Affairs office of Secretary of Agriculture Bob Bergland, working for a year and a half as an assistant before being promoted to his current position as Director of Congressional Affairs.

Larry Meyers now is involved on a daily basis with all agricultural issues, advising Secretary Bergland and the White House on the full range of issues from agricultural research to farmland values, to exports and energy.

SOIL CONSERVATION SERVICE

WITNESSES

M. RUPERT CUTLER, ASSISTANT SECRETARY FOR NATURAL RESOURCES AND ENVIRONMENT
NORMAN A. BERG, ADMINISTRATOR
DAVID G. UNGER, ASSOCIATE ADMINISTRATOR
JOE HAAS, ASSISTANT ADMINISTRATOR FOR WATER RESOURCES
PAUL R. NEWCOMBE, DIRECTOR, BUDGET AND FINANCE DIVISION
STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. WHITTEN. The subcommittee will come to order.

We are glad to have with us today the Soil Conservation Service. Dr. Cutler represents the Secretary. Mr. Berg, we are glad to have you with us today. We are aware of your long and successful experience with the Service. Mr. Unger and Mr. Newcombe are also here and Mr. Dewhurst is here to answer the hard questions. We are always glad to have you.

PROTECTING THE SOIL IS A PRIORITY

I do feel proud that 26 times out of 26 our recommendations have overridden the recommendations of the Office of Management and Budget and the President regarding the Agricultural Conservation Program. The soil conservation programs otherwise might have a lot less arable land, like India, to take into account.

I mention that here because apparently we are facing a period where necessity dictates that we scale back expenditures more than usual. I, for one, do not think that will be sufficient. I think we are going to have to strike down a whole lot of restrictive regulations and let industry start producing. That will be more important perhaps than what we can do in the way of scaling back, but where we are faced with scaling back, we are going to have our hands full. We had better scale back on programs other than those looking after our own country. But it is apparent that we do face that situation.

I am glad to have you gentlemen here. The Soil Conservation Service has done a fine job through the years, particularly in the technical work for the Agricultural Conservation Program. Providing about a third of the cost has enlisted at various times up to 1,142,000 participants. I always thought that in addition to those who might participate in the ACP, many others are caused to duplicate the practices and thus also help protect the soil. Those that do participate frequently do 10 times more once they get started.

With that kind of background, we meet with you today. We will be glad for you to proceed in your own way.

I am glad to see somebody in the Department still sticking with the job for which Congress appropriated the money.

Dr. CUTLER. I am glad to hear you say that, Mr. Chairman.

Mr. WHITTEN. Please proceed.

BIOGRAPHICAL SKETCHES

Dr. CUTLER. It is a pleasure to be back with you and the members of the subcommittee and to present the President's 1981 budget request for the Soil Conservation Service.

As you notice, Norm Berg, the Administrator of the Soil Conservation Service is here with me. He appeared with me many times in the past, but this is his first appearance as Administrator.

Mr. WHITTEN. We will be glad to have his biographical sketch placed in the record. I think some of the other hearing records will testify to his experience.

Without objection, his resume will be included in the record at this point, along with that of Mr. Unger.

[The biographical sketches follow:]

NORMAN A. BERG, ADMINISTRATOR, SOIL CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Norman A. Berg was born in Burlington, Iowa. His family farm was in Pine County, Minnesota. He received his B.S. from the University of Minnesota in 1941 and his Masters in Public Administration from Harvard University in 1956.

Mr. Berg's work with the U.S. Department of Agriculture, Soil Conservation Service, began in Idaho. In his 37-year career, he has served in several key field positions in Idaho and South Dakota, with 3 years' leave for service in World War II in the U.S. Marine Corps.

He was appointed as Assistant to the Administrator, SCS, in Washington, D.C. in 1960. From July 1965 to December 1968, he served as Deputy Administrator for Field Services. In January 1969, Mr. Berg assumed the position of Associate Administrator for SCS. He was appointed to his present position on September 12, 1979.

He is Chairman of the U.S. Section, Great Lakes Land Use Reference Group of the International Joint Committee. He also serves as Chairman of the USDA Land Use Executive Committee. He has been a member of the Secretary of Agriculture's Coordinating Committee for the Soil and Water Resources Conservation Act (RCA), and Leader of the RCA Management Group.

He is a charter member and Fellow of the Soil Conservation Society of America. He received the USDA's Distinguished Service Award in May 1973.

BIOGRAPHICAL SKETCH, DAVID G. UNGER

Born: Romulus, Mich., February 20, 1932.

Mr. Unger has been actively engaged in natural resource conservation programs for more than 25 years.

Before being named Associate Administrator of the Soil Conservation Service effective January 1, 1980, he served 2 years as Deputy Assistant Secretary of Agriculture for Natural Resources and Environment.

In that role he advised USDA, the Congress, and others on matters affecting USDA conservation programs. He chaired the national interagency coordinating committee for intensive studies of USDA conservation programs, under the Soil and Water Resources Conservation Act of 1977 (RCA), and was chairman or member of several other special committees.

Before joining USDA he served 13 years with the National Association of Conservation Districts in Washington, D.C., most recently as its Executive Vice President. Earlier he was director of the Pennsylvania State Soil and Water Conservation Committee, following service with the Upper Susquehanna Watershed Association in New York and the Brandywine Valley Association in Pennsylvania.

A native of Michigan, he studied geology and geography at Antioch College and holds graduate degrees in political science and public administration from the University of Pennsylvania and Harvard University.

A Fellow of the Soil Conservation Society of America, he was Chairman of the Steering Committee of the National Watershed Congress from 1973 to 1977.

Dr. CUTLER. Mr. Berg is ready to present a more detailed statement to help me respond to your questions.

Dave Unger is here also in his new role as Associate Administrator. As you know, Mr. Chairman, he was Executive Vice President of NACD for many years and brings many years of conservation experience to his new position.

NATIONAL SURVEY

Mr. Chairman, as part of the resource appraisal work underway as authorized by the Soil and Water Resources Conservation Act of 1977, which we refer to as the RCA, we recently completed a national survey of the public's attitudes on several major agricultural issues, including the conservation of soil, water, and related resources.

SURVEY HIGHLIGHTS

I thought I might begin by reviewing the results of this survey. The American people share your deep concern about the need for soil and water conservation to protect our lands from floods and erosion and to save our good farmland for growing crops to feed a growing population. Here are some of the survey's major findings.

More than eight of 10 Americans believe conservation is important for the country; 53 percent consider the loss of good farmland a serious problem. People believe conservation is a joint public and private responsibility and feel the burden should be shared fairly between the Government and the farmer.

By a seven to one margin, Americans accept Federal action to protect farmland from erosion as a proper role for government.

Americans support the concept of small, family farms and Federal policies aimed at preserving and increasing them.

The public consistently indicated a preference for allocating a greater share of soil and water resources to agriculture—specifically food production—rather than to competing uses like housing, industry, energy, and recreation.

I have a summary of this survey for the subcommittee's record and for its files, Mr. Chairman.

SOIL AND WATER PROBLEMS

We are encouraged by this evidence of broad public support for conservation, for the soil and water problems that confront us today are serious. I would like to use five visuals, if I may, to describe these critical resource problems.

The first, Mr. Chairman, shows those locations where wind and water erosion are greater than five tons per acre per year. One dot on the map is equal to 30,000 acres. A total of 241 million acres—and that includes cropland, pastureland, rangeland, and forest land—suffered this excessive damage in 1977.

EMPLOYMENT REDUCTIONS

Mr. ANDREWS. I cannot help but notice the tremendous and tragic soil loss. Soil lost for future generations. Then I look at your request, and you are asking for a reduction of 460 full-time positions. How are you going to meet this challenge by a reduction of 460 full-time positions. Or, are all those positions going to be reduced in the Washington headquarters, which I suppose would not make much impact on the field?

Dr. CUTLER. That sounds familiar.

Mr. ANDREWS. I know it does, but it ties in with what is on that map.

Dr. CUTLER. Some of these will be saved by automating the snow survey program. In other words, we are increasing productivity.

Mr. ANDREWS. None of these positions are being taken out of the people who work in the field with the farm families to preserve our soil?

Dr. CUTLER. Yes, some of them. Some of them are associated with the RC&D program.

Mr. ANDREWS. Could you provide for the record how many are in what category and how many of the 460 positions are going to come out of the Washington office.

Dr. CUTLER. Yes, we will.

Mr. WHITTEN. Without objection, it will be included in the record at this point.

[The information follows:]

SUMMARY OF EOY EMPLOYMENT REDUCTIONS

The reduction of 460 permanent positions in SCS is highlighted through planned reductions for the following programs in FY 1981:

	Number of positions
Conservation operations technical assistance	—114
Watershed planning	—121
Small watershed operations, Public Law 566	—117
Resource conservation and development	—125
Program increases, primarily the rural abandoned mine program	+17
Total	—460

We have not distributed the position reductions by Washington and field, however, of the related decreases of 538 permanent staff-years, 21 or 4 percent are in Washington and 517 or 96 percent are in the field. If we apply these percentages to the position reductions, 18 would be reduced in Washington and 442 in the field. This is the same ratio of Washington-to-field employees that has existed for total SCS employment over the last few years.

Mr. MYERS. Can you put in the record at the same place what your request was to OMB?

Dr. CUTLER. Yes. We will provide that to the Committee.

Mr. MYERS. It has been reduced by OMB, has it not?

Dr. CUTLER. It was a departmental decision. There were numbers that the Department was given.

Mr. MYERS. You had your arm twisted when you made the decision, did you not?

Dr. CUTLER. We were given a total number for the Department as a whole, yes.

[The information follows:]

End-of-year employment summary

Permanent full-time employees:	
Agency request	13,982
Department request	13,210
January budget	13,190

LAND LOSS

I would like to note, Mr. Chairman, for example, using that visual display, in the State of Mississippi, 56 percent of the cropland is eroding at a rate of more than five tons per acre per year. I do not suppose that is news to the Chairman, but it is an example of one State.

Mr. ANDREWS. I trust that you are not removing any SCS technicians from the State of Mississippi?

Dr. CUTLER. It is very unlikely.

Mr. ANDREWS. Or North Dakota?

Dr. CUTLER. That is very unlikely too.

Mr. MYERS. We do not have very many to lose in Indiana anyway.

Dr. CUTLER. Secretary Bergland has predicted the State of Indiana would be paved over very soon.

[Laughter.]

Dr. CUTLER. That is, an area equal to the size of Indiana. We are paving over three million acres a year.

The second visual makes the point that we are steadily losing rural land, including some of our best cropland, which was the point we were just making. There are housing developments, shopping centers, and airports, lakes, and reservoirs. This loss is irreversible, and when these acres are paved over they are rarely returned to farming.

The third visual shows that we are losing too much property to upstream flood damage. In 1975, damages had already reached $1 billion per year in terms of 1967 dollars. By the year 2000, we project annual losses of $1.4 billion.

Mr. WHITTEN. Dr. Cutler, I have a question to ask you before we go vote. The picture that you are showing us there kind of conflicts with the fact that you do not want to get any money to plan more protection?

Dr. CUTLER. This information was recently developed as a result of this RCA process. We do not have it cranked into our 1981 budget, it will probably be reflected in the 1982 budget.

Mr. WHITTEN. Are you asking help to recrank it into the 1981 budget? Let the record show he showed a pleased expression.

We will take a short recess now.

[Recess taken.]

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Mr. WHITTEN. You may proceed, Dr. Cutler.

Dr. CUTLER. Thank you, Mr. Chairman.

Our final visual shows five of the ways we are damaging water quality through nonpoint source pollution. They include pollution from bacteria, pesticides, nutrients, dissolved solids, and suspended solids.

We have 8-and-a-half by 11 copies of these visuals for the subcommittees records if you would like to use them in the hearing record. I would also like to insert the RCA survey material mentioned a moment ago.

Mr. WHITTEN. Without objection, they will be included at this point.

[The visuals and the summary of the RCA survey follow.]

NEWS
U.S. DEPARTMENT OF AGRICULTURE

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PUBLIC ATTITUDES REVEALED ON SOIL AND WATER CONSERVATION

WASHINGTON, Jan. 17--Results of a national survey of the public's attitudes on several major agricultural issues, including conservation of soil, water and related resources, were released today by M. Rupert Cutler, assistant secretary of agriculture for natural resources and environment.

"The survey revealed that most American people believe more soil and water conservation is needed and are committed to a conservation ethic," Cutler said. "A majority also favors a public and private partnership to resolve soil and water problems."

Louis Harris and Associates, Inc., interviewed 7,010 adults--representing a cross section of the nation's population--during the survey, conducted between Oct. 19 and Nov. 21, 1979.

"We conducted the survey to assess the public's opinions, attitudes and understanding of soil and water conservation problems and practices," Cutler said, "We will use the findings to help design future USDA soil and water conservation programs." Other questions sought public opinion on such issues as gasohol, small farms and priorities in land use.

Some of the survey's major findings are:

--half of all Americans consider misuse of our soil and water resources a serious problem.

--53% consider the loss of good farmland a serious problem.

--people see conservation as a joint public and private responsibility and feel the burden should be shared fairly between government and farmer or other landowner.

--by 7 to 1, Americans accept federal action to protect farmland from erosion as a proper role for government.

--Americans support the concept of small, family farms and federal policies

-more-

aimed at preserving and increasing them. However, people understand that most of the food grown in this country is produced on large farms.

--the public consistently indicated a preference for allocating a greater share of soil and water resources to agriculture--specifically to food production--rather than to competing housing, industrial, energy or recreation uses.

--more than eight of 10 Americans are rated moderate-to-high on a conservation ethic scale, believing conservation is important for the country.

--more than three-fourths of Americans feel we have not reached the point in soil and water conservation efforts where we should be more concerned about holding down costs than completing the work that remains to be done.

--by more than 2 to 1, the American public says gasohol should receive more government support than synthetic fuels. In head-to-head choices, gasohol is seen as more likely than synthetic fuels to reduce oil imports, keep down gasoline costs and less likely to damage the land.

--Americans value highly citizen participation in federal decision making, even though their reported participation is rather low (33%). A large proportion value the ability to have a say in decision making. They would participate more, they say, if they felt the effects of government decisions were more direct or if they felt they were truly being heard. While 21 percent say they would participate much more if the government were to help pay the cost of their participation, twice that number (44%) say government financial help would not increase their participation.

--a substantial majority of the public feels government should provide loans to people trying to get started in farming.

"The survey is one of the public participation activities undertaken in the development of the future USDA program for conserving soil and water resources," Cutler said. "This effort is a response to the Soil and Water Resources Conservation Act of 1977 (RCA), P.L. 95-192."

Cutler said the USDA's Soil Conservation Service commissioned the survey on behalf of the USDA and the RCA Coordinating Committee. Later this month USDA will release drafts of proposed conservation objectives and program strategies for conserving soil and water resources. At that time the public will have the opportunity to comment on the various proposals.

- - - - -

4479

USDA 151-80

LOST: Too Much Soil to Erosion

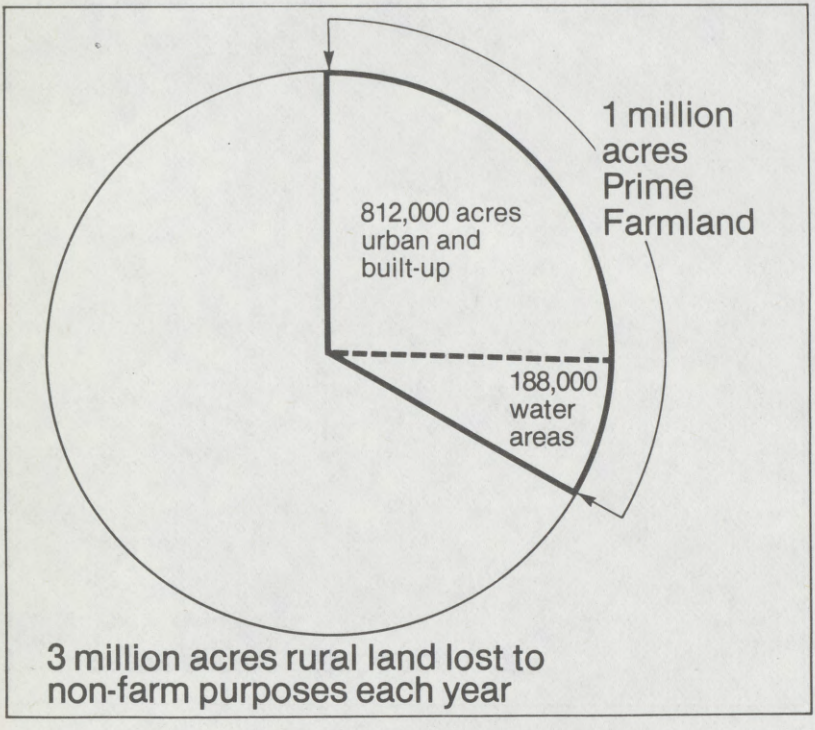
241 million acres with soil losses of over 5 tons an acre yearly



Each dot equals 30,000 acres

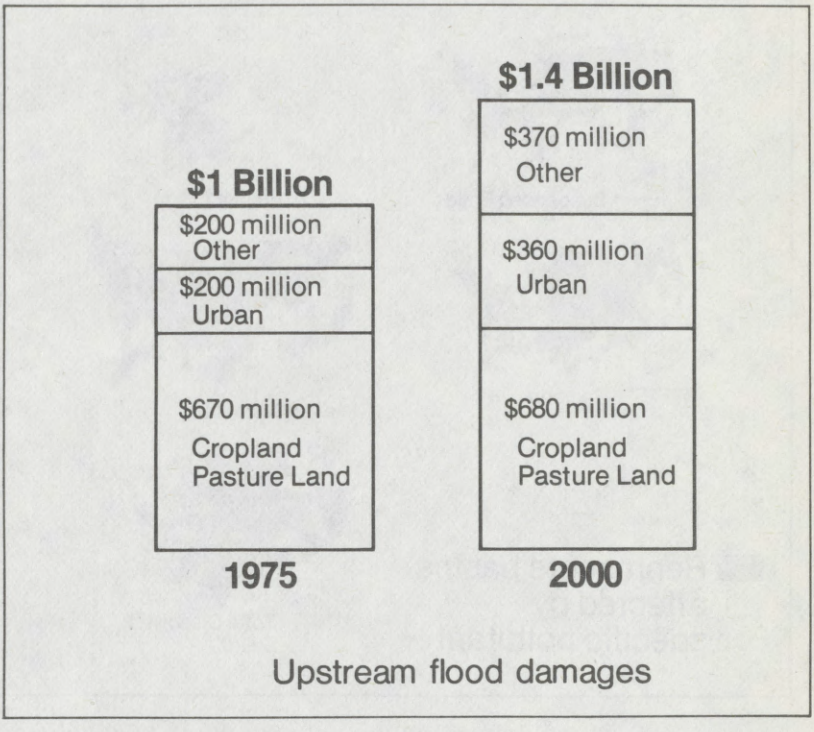
LOST: Too Much Prime Farmland

3 million acres lost to agriculture yearly, of which 1 million is prime farmland



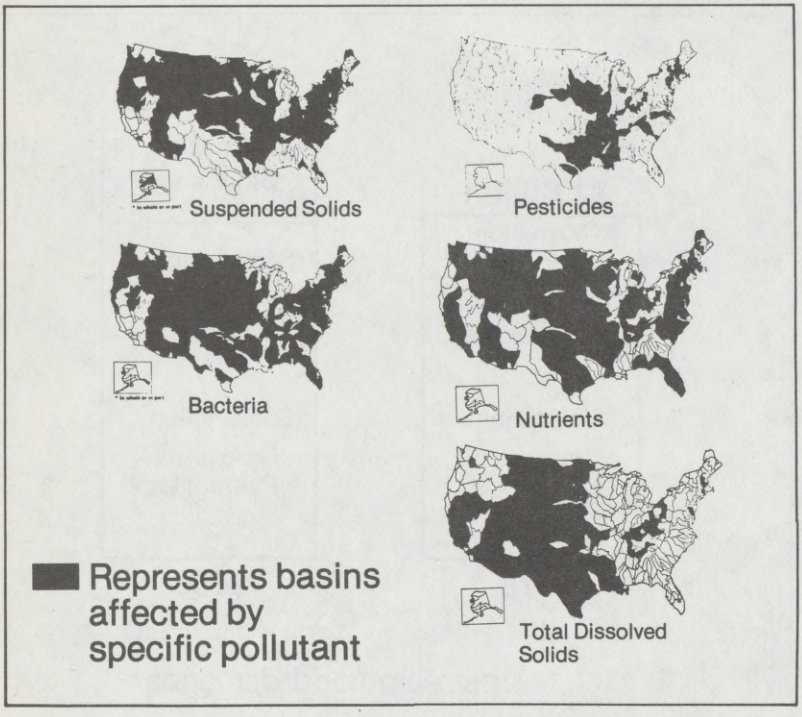
LOST: Too Much Property to Upstream Floods

$1 billion damage in 1975 will rise 40 percent by year 2000



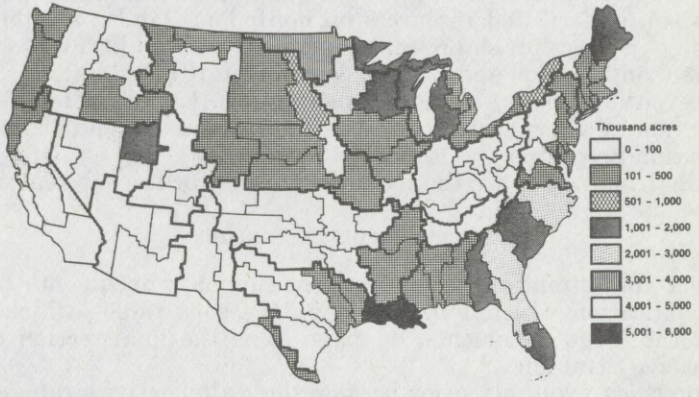
LOST: Too Much Water Quality to Nonpoint Pollution

agriculture is a primary cause of nonpoint source pollution



LOST: Too Many Wetlands

300,000 acres are lost yearly; only 70.5 million acres remain



Location of wetlands types 3-20

ALTERNATIVES TO SOLVE CONSERVATION PROBLEMS

Dr. CUTLER. These and other problems are of deep concern to us in the Department of Agriculture, and we are presently examining various alternatives for solving them. The present form of soil and water conservation programs in this country had their roots in the 1930's. The pattern established then, a flexible program based on the voluntary cooperation of farmers and other land users and a mixture of Federal, State, and local activities, has changed very little for more than 40 years. As you have pointed out, much has been accomplished with this approach.

In view of increasing demands on our basic natural resources, however, Congress decided to take a fresh look at present conditions and the future of soil and water conservation. Thus, the Soil and Water Resources Conservation Act—RCA—was enacted. The brochure before you describes the program in very general terms, Mr. Chairman.

The SCS has the leadership in the RCA process, working under the guidance of an interagency committee of all the concerned agencies in the Department. Draft documents are available for public review, containing an appraisal of the current status and trends concerning the nation's soil and related resources on nonfederal lands; specific conservation objectives for soil resources quantity and quality, water quality, water conservation and supply, fish and wildlife habitat, upstream flood prevention, energy conservation and supply, and related natural resources; and alternative strategies for organizing and delivering conservation programs.

Mr. Chairman, here are the RCA documents for the subcommittee's file.

ALTERNATIVE STRATEGIES

I direct your attention, if you have the summary document—to this small publication which I believe is on the back table—which summarizes the large documents, on page 31 is the final section called "Alternative Strategies."

I bring this to your attention because these alternative strategies are stimulating most of the public's comment on the Resource Conservation Act. I think they will be of interest to you, if you can find the time to look over those alternative strategies.

Over the next several months, we will be analyzing the public response to the information and proposals in these documents. The Department will then prepare a final soil and water conservation program for transmittal by the President to Congress. We plan to have this program to you by midsummer. It will be used by the Department in the preparation of our 1982 Soil Conservation Service budget.

1981 BUDGET HOLDS THE LINE

It is in this general context that we present the 1981 budget for the Soil Conservation Service. It proposes to continue most activities at about the 1980 level. It addresses and puts emphasis on solving conservation problems relating to critical erosion and sediment reduction, water quality and supply, protection and restoration of prime farmlands, and the use of nonstructural alternatives for re-

ducing flooding in the upstream watersheds. It fully recognizes the need for strong participation by local conservation districts, State soil conservation agencies, and other agencies and organizations involved in the overall conservation program. The Department's information gathering and analysis effort will be enhanced to ensure that reliable and current data are used in updating the 1980 RCA appraisal and program reports and for the 1985 appraisal.

1980 EXPERIMENTAL RURAL CLEAN WATER PROGRAM

The 1980 experimental Rural Clean Water Program will be administered by the ASCS in addition to the ACP. Thirteen project areas already have been selected for the 1980 Rural Clean Water Program, and we have a press release which you can consider for inclusion in the hearing record, Mr. Chairman. It details the projects that have been chosen for the Rural Clean Water Program already.

The Soil Conservation Service will furnish technical assistance in servicing clean water program contracts with farmers and other landowners.

PLANT MATERIALS CENTER AND SNOW SURVEY STUDIES

Studies are currently underway for the Soil Conservation Service Plant Materials and Snow Survey and Water Forecasting activities. These studies, which will be completed in 1980, will determine if practical alternatives exist for operating and financing the Snow Survey and the Plant Materials Centers. Congress will be notified of pending decisions within the Department pertaining to these programs.

I will submit again for the record or for your files, papers on the status of these two studies.

GREAT PLAINS CONSERVATION PROGRAM

The 1981 budget proposes continuation of the Great Plains Conservation Program in its present form at the 1980 level, including the signing of about 1,000 new contracts in drought prone areas of the 10 Great Plains States. Legislation to extend the program beyond the current December 31, 1981 expiration date is included in the Department's 1981 legislative program.

NO WATERSHED PLANNING STARTS

No new planning starts are proposed for Watershed Planning. This will permit us to better align the planning effort with construction and to complete the current appraisal——

Mr. WHITTEN. Is that based on the fact that some other country will be taking this over? Is that the reason why you are not going to look after our country? You are telling us what a great job you have done, and then you are telling us you are quitting.

Dr. CUTLER. We have several hundred small watershed projects in the pipeline. We have to get those built.

Mr. WHITTEN. I think I discussed those in years past. The Senate always takes the view that we have enough plans. On this side we have

colleagues who work with us, and the fact that we cannot get the Congress to give us ample money has not kept this Committee from at least trying to make a start. We have to keep that in mind.

We also have trouble getting money out of the budget, even when we have plans made. So, I do not know whether we will go along with you on that or not.

I am always cautious—as we were this last time—to try new programs. We did work it around to where I think it would be very helpful, but the original proposal on the other side was actually a case of turning over the Department's operation to another branch of Government, in my opinion. We corrected that.

But I am glad to see the statement you are making and the evidence that you show us. We realize you have your limitations as far as controlling the overall budget is concerned.

You may proceed.

Dr. CUTLER. Thank you.

ADMINISTRATION'S GOVERNMENTWIDE POLICY FOR NEW CONSTRUCTION

Consistent with the Administration's Governmentwide policy for water resources construction projects, we are not proposing any new construction starts in small watershed projects at this time, pending action by Congress on the Administration's legislative proposal requiring independent review of Federal water project plans by the Water Resources Council.

RESOURCE CONSERVATION AND DEVELOPMENT

Six new RC&D areas were authorized for fiscal year 1979, and six new areas have been authorized for fiscal year 1980. We have the press releases stipulating which areas were begun in 1979 and 1980 for the subcommittee's file. This is consistent with the Appropriation Act and congressional intent. We will continue to provide RC&D coordination and assistance in planning and installing RC&D measures to sponsors in 1980 and carry out the program in full accord with congressional direction. We will place emphasis on installing RC&D measures where planning assistance was furnished in prior years. The 1981 budget proposes no new area authorizations and continues the policy to phase out the program by the year 1982.

RC&D PROGRAM REVIEW

This program was reviewed by a USDA task force chaired by Dave Unger who was my deputy at the time. This task force report is here for the subcommittee's review. The program is being audited by the General Accounting Office. We have a report on the status of the GAO audit of the RC&D program for you, and it may be chosen, Mr. Chairman, to help implement the new Small Community and Rural Development Policy adopted by the White House. We have brought it to the attention of Mr. Jack Watson, Assistant to the President, as a possible vehicle for the implementation of the White House's rural development initiatives.

SOUND AND REALISTIC BUDGET

We believe this is a sound and realistic budget which will enable us to continue the excellent work of the Soil Conservation Service as we develop, for your consideration, new approaches that may prove even more effective in meeting the nation's soil and water conservation needs.

Mr. Chairman, that concludes my statement. I would be happy to answer your questions or go right to Administrator Berg's testimony.

(CLERK'S NOTE. The full text of Dr. Cutler's statement appears on pages 646 through 651.]

Mr. WHITTEN. I believe it would be as well to have Mr. Berg go ahead with his statement, and then we can direct questions.

ADMINISTRATOR BERG'S STATEMENT

Mr. BERG. Thank you, Mr. Chairman and members of the subcommittee. I appreciate this opportunity to appear before you to discuss the work of the Soil Conservation Service and the Agency's fiscal year 1981 budget estimates.

Although I have participated in these hearings for more than 20 years with three of my predecessors, Administrators Williams, Grant, and Davis, I am privileged now after a public service career of over 37 years to speak as Administrator of what I consider and many of us consider the most elite corps of soil and water conservationists that the world has ever known.

NEW ASSOCIATE ADMINISTRATOR

Dave Unger has already been introduced. On January 1, he succeeded me in my former position as Associate Administrator, and his background in State government, with the National Association of Conservation Districts, as their executive vice president, and in USDA will prove extremely helpful, I think, to the work that we are mutually concerned about.

SENIOR EXECUTIVE SERVICE

Dave and I are two of the 21 Soil Conservation Service career conservationists who are members of the newly created Senior Executive Service, as of last July.

Other members of my staff are here if needed to help on details of a particular activity of interest to members of this subcommittee.

HEARING PREPARATIONS

In preparation for this hearing, Mr. Chairman, I looked back over the House hearing records of many years, and I realized again how much we owe to those who have dedicated their lives to the conservation of our natural resources.

For instance, in the hearings for fiscal year 1950, some 30 years ago—and I was a field man in Idaho at that time—the following

exchange took place between you, Mr. Chairman, and the then Chief of the Service, Dr. Bennett.

The chairman said, "You have many fine people in the SCS who are really in there to do soil conservation work. In every case, these people have done a good job. It may be that during the war we took on some people that were not as good as others that might have been gotten, and maybe some of them have stayed on. I do not know as to that." I may be one of those. I came in early in the World War II period.

But you pointed out, "I just hope that we can formulate our plans to spread the work faster and further so far as actual operations are concerned rather than just organizing the districts."

Chief Bennett pointed out, "I'm depending on our fiscal men here to keep us in order with respect to the laws of Congress and the rules and regulations of the GAO and the Department of Agriculture." Again, I am in that position.

"I spend a lot of my time," he said, "in the field where the job really is. That is what we are trying to get done—the job."

And he comes back from some of the field trips, he says, disappointed, and he tries to correct some of the deficiencies. He reminded us again then, and it is true today, that there are differences between different kinds of land. "If we had some practice, some simple method that we could apply to all land, this job would be easy, but the job is just as varied as the landscape of America, and that is very varied."

And you hammered that point down, Mr. Chairman, by saying, "So the point of it is getting the farmers who are using this land to put into operation that which is known. It is to that end that I have been directing my remarks, or trying to direct them."

SOIL CONSERVATION POLICY ASSESSMENT

Last fall, we had a policy conference sponsored by several organizations. The booklet is available, "Soil conservation policies—An assessment." We looked at where we had been in this very broad and challenging field, where we are now, and what the future may hold.

The point was made in the foreword that, "Soil is worth saving." And we need to keep making this point again and again. "Making the point becomes more and more difficult as society becomes more urban oriented and many people think of milk as coming from the supermarket instead of the cow. We must work harder with each new generation to make our case as people get farther and farther removed from the land."

And we have been asked, why are we not finished with the job? It is irrelevant to continue to bring up the founding of our Agency 45 years ago and decry the fact that we still have soil erosion in spite of that long effort. We must run just to keep up because there are changes that have to be dealt with.

Mr. Chairman, on that basis, we would like to thank you and your subcommittee for your deep and continuing interest in America's farmers, ranchers, and foresters, and your keen understanding of the continued need to protect our nation's soil and water resources.

There are, of course, serious problems yet to be solved on the American landscape, as Dr. Cutler has pointed out and as the Resources Conservation Act Appraisals show so clearly.

QUALITY AND QUANTITY OF USDA PROGRAMS

Although we are not satisfied with our rate of progress in dealing with the many resource problems that beset us today, we are nonetheless proud of the quantity and quality of work done to date through USDA programs, conservation agencies, and the millions of farmers who are cooperating with their local conservation districts.

RAPID RISE IN CONSERVATION TILLAGE

Recent examples of conservation progress include the rapid increase in the use by farmers of various forms of conservation tillage, including no-till farming. Last year, about 55 million acres of cropland were under some form of conservation tillage, up from four million acres 15 years ago. Taken together, conservation tillage practices are the fastest growing practice in agriculture today, increasing at the rate of four to five million acres per year.

Agronomists expect conservation tillage practices to accelerate because they usually result not only in soil saving but also in fuel saving.

CONSERVATION PLANNING

We have streamlined our conservation planning program to permit more of our resources to be directed to getting practices applied to the land. We completed 24 small watershed projects in fiscal year 1979, and 14 additional river basin studies have been finished. And we undertook again and have a remarkable record of emergency assistance to those States that suffered damage, primarily from flooding. We also worked with nearly a million individuals and groups, including agricultural conservation program participants, to help them plan and apply land treatment practices.

1981 BUDGET PROPOSALS

The budget proposals for 1981 will permit the Service to continue to carry out its responsibilities for providing help on a national scale to farmers and ranchers, other land users, and units of government. We do propose to continue to target available resources to deal with soil and water conservation problems of national scope and impact. We will continue to, first, help treat those critical erosion areas that are persistent; two, to help retain prime rural lands for agricultural use; three, to help conserve water; and, four, to provide sponsors of watershed, RC&D, and water quality projects the professional and financial help they need to implement their local plans. The budget we present is a realistic one. As the Secretary pointed out, it will continue our basic 1980 policies until final recommendations can be made to you based on the RCA.

With your permission, Mr. Chairman, I request that my full statement be inserted in the record. To save time, I will simply highlight the six major line items of SCS appropriations.

Mr. WHITTEN. Without objection, it will be included in the record.

[CLERK'S NOTE. The full text of Mr. Berg's statement appears on pages 657 through 668.]

Mr. WHITTEN. Please proceed.

TOTAL 1981 BUDGET AMOUNTS

Mr. BERG. The total fiscal year 1981 budget proposed for the Soil Conservation Service is $535,247,000. It includes a total of $21,988,000 to cover increased operating costs. End of the year permanent fulltime employment is estimated, at the end of fiscal year 1981, to be 13,190; that is 460 less than we intend to end up with at the end of this fiscal year.

CONSERVATION OPERATIONS

In conservation operations, the line item that appropriates the money that provides the staff throughout the country for most of the work we have talked about here—the budget proposal is $283,801,000. This is an increase of $6,726,000 from fiscal year 1980. There are six activities funded under this appropriation. They include conservation technical assistance, inventory and monitoring, soil survey activities, snow survey and water supply forecasting work, plant materials centers, and resource appraisal and program development work.

RESOURCE APPRAISAL AND PROGRAM DEVELOPMENT

The resource appraisal and program development activity, incidentally, is over halfway through the 60-day public review period, and the response center that we have set up at Athens, Georgia, tells us, as of this morning, that there are over 5,000 comments in on the appraisal and suggested draft program. We expect many thousand more that will help guide some of the policy decisions that need to be made in the months ahead.

RIVER BASIN SURVEYS AND INVESTIGATIONS

A second major appropriation item deals with river basin surveys and investigations. The budget proposes an appropriation of $17,442,000. This is an increase of $955,000 from fiscal year 1980, primarily to pay for increased operating costs.

REGIONAL PROBLEMS

In this work, we will continue to address the regional problems and carry out cooperative river basin studies with State and Federal agencies at the same level that we are carrying on this year. We do propose to initiate eight new cooperative studies in the next fiscal year.

The budget provides funds also to complete 30 flood hazard studies. We will not undertake any new HUD flood insurance studies in fiscal year 1981.

WATERSHED PLANNING

With regard to watershed planning, this includes $6,660,000, a decrease of $4,455,000 from fiscal year 1980. Fiscal year 1981 proposes no new planning starts. Extensive efforts are underway to determine

the scope of watershed needs on a State-by-State basis, and this should provide us with factual data that we will use to consolidate and realign our planning efforts, where needed.

WATER AND FLOOD PREVENTION OPERATIONS

A key item, watershed and flood prevention operations activities, proposes a total appropriation of $172,160,000. This is an increase of $4,636,000 from fiscal year 1980.

Three activities are funded under this appropriation: first, the 11 authorized flood prevention projects. Public Law 534, proposed to be at $19,860,000. We will use the increase of $1.4 million over fiscal year 1980 primarily to offset the increasing cost of construction.

We need to continue progress on the 121 subwatershed projects now in construction and work to complete another five in the next fiscal year. We are also at the point where we need to plan the future direction of this program, and Congress has requested that we give it a study plan sometime this year.

Second, we also fund through this program the emergency watershed protection operations. This proposes a continuation of the $10 million for this work—the same funding as this year. These funds are used primarily to reestablish water conveyance systems and stabilize areas denuded by either floods or fire.

Third, small watersheds authorized by PL–566, of course, is the major portion of this program proposing $142,300,000 for the projects. This is an increase of $3,276,000 from this fiscal year, again, primarily to meet the increased construction costs and, to the extent we can, to accelerate the completion of ongoing projects.

NO NEW CONSTRUCTION STARTS

Consistent with the Administration's Governmentwide policy, no new construction starts are proposed at this time. We understand that this is tied partially to the congressional approval of an independent project review authority for the Water Resources Council.

We are slightly accelerating the ongoing construction rate and expect to complete 27 projects, including the land treatment work, in this fiscal year and 28 projects in fiscal year 1981.

GREAT PLAINS CONSERVATION PROGRAM

The Great Plains Conservation Program this year is proposed, as directed by the Congress, as a program separate from ACP. The Budget proposes an independent appropriation of $20,591,000 for FY 1981. That is an increase of $1.9 million from this fiscal year. The increase is to cover the increased operating and construction costs and to help solve problems in the Great Plains area. We plan to fund about 1,000 new contracts.

RESOURCE CONSERVATION AND DEVELOPMENT

The Resource Conservation and Development activity proposes an appropriation of $34,593,000. This is an increase of $2.5 million. We

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will use the increase to pay for higher construction costs and accelerate the completion of committed RC&D measures.

NO NEW AREA AUTHORIZATIONS

We again request no new RC&D area authorizations. We will place emphasis on completing those measures on which the work is underway. We will provide coordination and measure planning assistance in fiscal year 1980 in full accordance with congressional direction, including the six new areas that were recently authorized.

RESOURCE CONSERVATION ACT ACTIVITIES

In summary, the work being performed under the RCA has helped the Department and the Service to examine the conservation work that has been accomplished over the last 4.5 decades. We are finding that controlling erosion, maintaining soil productivity, conserving water, reducing flood damages, minimizing water pollution, and conserving energy are still high priority goals that we must strive for in future conservation programs because an increasing population places multiple demands upon our nation's resources, and it is clear that our conservation dollars must be used more effectively and efficiently. Our budget for fiscal year 1981 proposes to do this.

Mr. Chairman, that concludes my formal statement. We will be happy to try to answer your questions.

INTEREST IN LAND AND AGRICULTURE

Mr. WHITTEN. Thank you, Mr. Berg. We appreciate your presentation as well as that of Dr. Cutler.

There are many things, as I said, that members of this subcommittee, including me, take some pride in. With a declining population on the farm, we have been able, along with many other people helping, to get over to our colleagues the fact that they also have an interest in the land and the well-being of those engaged in agriculture.

But as we deal with the subject each and every year, I do not know that there is any way that we can ever hope to fully meet the problem because of changing conditions.

A few weeks ago, we had before the Congress a bill authorizing a number of public works projects with benefits to the country as stated by the proponents and a backlog to which we could turn in case of unemployment and things of that sort. It caused me to make a talk at that time pointing out that many of the attacks that were made by some of our colleagues on some of these projects—which were only being authorized—these same attacks were being made against Bonneville Power when it was created many years ago. The same kind of attacks were made against the St. Lawrence Seaway, the Southwestern Power, and the TVA. Throughout history, we have had those who did not see that they needed that.

STEWARDSHIP OF THE LAND

One of the problems we have had is that people will ask why the man who owns the land does not look after it. I have always answered

that by saying that those who have control of the land over their lifetime are really the guardian for that period only. It would be fine if they made enough money and would see that it went to the land instead of traveling, or buying a home or a whole lot of consumer goods; it would be fine if people did take proper care of their land. But we see that in other countries that has not happened. We see in our country it has not happened.

In fact, this country was built during the period of its growth, and there was no effort to take care of the land very much until it got scarce. "Go west, young man" became the policy.

There were lots of folks that figured this country was made great because of cheap raw materials. That might have resulted in a lot of change of wealth, but it resulted in a lot of decrease of the wealth of the land.

I think, when we look back to the early 1930's and see the deplorable conditions that we had in this country and see the improvement we have gone about, notwithstanding that we have twice as many people and twice as much land under concrete, we really have a better situation than we had in the 1930's because of this program.

When you realize that the total cost of this program has probably been one-tenth of that which we have put into foreign aid, where we do not require any cost-benefit ratio, it makes it hard for me to understand how people can attack this type of program as they do.

The other thing I pointed out in that presentation to the House was that in another 50 years we would be likely to have millions more people. How it could be that they attacked this type of program this same day when they read what happened in California and Arizona I do not understand. I mention that because it is a little more usual to have floods in the Lower Mississippi or some other areas. Then, when I get to that, I think of other times when we had people here who set out to make the Government sell all this Government-owned land.

Well, on the face of it, it sounds good. Why should the Government own land? But if you get out—as you folks do—and see a whole lot of the land in the United States for the good of all of us, it had better stay in the hands of Government. Otherwise, they will strip the timber, the vegetation, and then every time you have a rain you will have a situation like you had in California.

So, the Government itself is the only way you can protect a whole lot of watersheds. Even with that, it does not protect it from lightning.

FIRE PROTECTION

I was home in my own area, and they had to put out 300 fires in Northern Mississippi because of a drought. There was negligence. It might be folks in an automobile, or this, or that. We had a forest fire protection program for 30 years. And yet this cold weather and snow was the only thing that was able to stop it.

So, how folks can complain about our efforts here I do not know. Now, it could be that you could improve with time the whole procedure, but it is hard for me to figure how you could ever hope to do more in the total than to help the fellow who has title to the land and who puts up about half the monetary costs. He puts up his labor plus his half of

the cost. It is on a voluntary basis and provides for technical advice through the SCS. It is hard for me to figure out how you could do more than that.

AGRICULTURAL CONSERVATION PROGRAM

I say this occasionally for the record. When I first came on this Committee, the Farm Bureau of that day was under Mr. O'Neill of Alabama. He had a different viewpoint than some others. At that time, he was 100 percent for the Agricultural Conservation Program which they said broadcast everything, just hit or miss.

The ACP group, in turn, felt that the Soil Conservation Service worked out for this man's lands such an extensive and definite plan that he would die before he ever got one tenth of it completed. The conditions would change to where it was obsolete. Those are the two extremes.

I take a little pride in bringing the two together. The ACP quit trying to have its own technicians, and the SCS quit trying to step in. So, that is where your five percent came in. We set out one time to try to get the SCS to do the technical work for ACP.

If they need that technical advice, they can pay you for what it costs, and because of that it kind of melded the two together. We have been able to save it that way. I think if we split up we would lose it within 12 months.

I mention that here because, from time to time, somebody asks me why we have the five percent transfer and so forth.

If we can put your 460 people back and get some of the new things that I do not think have the same degree of value, I think it will be a step forward.

1980 EXPERIMENTAL RURAL CLEAN WATER PROGRAM

We set up a new program last year at the insistence of the Senate, although we changed it. It did give you some authority to pick out spots on a trial basis and try to see what you could do with it on that score. The EPA, as I recall it, wanted a veto over that. We did not think that was wise, but we did say "in coordination with" them, where they would have an input into it.

How far have you gotten into that?

Dr. CUTLER. Mr. Chairman, we have brought with us a press release just issued by the Secretary on March 5. He announced that 13 project areas had been selected under this new program. The regulations under which the program will be conducted have been recently adopted. As a matter of fact, Mr. Berg has received a letter from the Administrator of the ASCS, Mr. Fitzgerald, complimenting the Soil Conservation Service, complimenting them on their work with the ASCS in making these regulations.

Mr. WHITTEN. Are they in the Register as of now?

Dr. CUTLER. They are in the Federal Register.

Mr. WHITTEN. I would like to have those in the hearing record.

Dr. CUTLER. The regulations are quite voluminous. Perhaps this is not all the regulations, but it is the Federal Register of March 4, 1980.

Mr. WHITTEN. Having made the selection and having issued the regulations, what will be the role of the SCS in the clean water program as proposed by the Administration for fiscal year 1981?

Mr. BERG. What we are doing on this, Mr. Chairman, is a continuation of the kind of technical assistance that you referred to earlier in the ACP.

First of all, at the field level, we have been working very closely with the local ASC county committees, conservation districts, and the State agencies that are concerned about water quality to help update the applications that were available under the earlier proposal which goes back to a section 208 planning process initiated primarily by EPA funds. Some 60 applications were two years old, so we went back jointly with ASCS, extension, and research people to evaluate how up-to-date they were.

COORDINATING COMMITTEE

Then the coordinating committee now chaired by Mr. Fitzgerald, Administrator of ASCS—and I serve on that committee—went over all these applications and recommended to the Secretary that highest priority be given to the 13 that have been announced.

LOCAL PEOPLE

This begins the process of letting the local people tell us in a very detailed way what they intend to do with the funds that Mr. Fitzgerald will hold for the program. These are long term activities that will take up to five years to initiate if they want to get everybody involved. The contracts on an individual farm will be comparable to what we do in the Great Plains area which could run up to 10 years. So, we are talking about a 15-year continuing activity for the first $50 million that you allowed the Department to experiment with.

RELATIONSHIP WITH THE CORPS OF ENGINEERS

Mr. WHITTEN. Mr. Myers and I sit on the Subcommittee on Energy and Water dealing primarily with the Corps of Engineers. I was able some years ago to get a provision through so that where you quit is where the Corps of Engineers would start, so there would not be any no-man's-land. Also, in 1958, we got a provision in the law to give the Corps of Engineers the power of eminent domain in some of these watersheds for sites for small dams since you did not have that authority. They, in turn, by cooperating with you, could get you to do the things on the watersheds.

In my State, by having to revive it every once in a while, we keep them reminded of it. We have finally got a pretty well-coordinated effort in many sections of my State.

What has been your experience, on a national level, in your relationship with the Corps of Engineers in projects where part of it is one and part of it is the other?

Mr. BERG. I am pleased to say it is excellent. The groundwork has been laid over many years. The responsibility was something that Congress took a great deal of interest in. It is defined in the public law. Our work is limited by watershed acreage, and the size of the reservoirs. As a more recent update on this, my own personal staff and I have met with the new leader of the Corp. We will continue this cooperation to the extent that we would like to see in the field some of our joint work.

RELATIONSHIPS WITH THE FOREST SERVICE

Mr. WHITTEN. The other problem we had at one time had to do with a prohibition against the Forest Service buying any land in a county in my district. It is a county in which the University of Mississippi is located. If the Forestry Department had had its way, it would have bought up half the county, which would limit greatly the development of the area. By holding it up, we worked out a relationship between the U.S. Forest Service and SCS. This was very good because if you can restore land in three or four years through the SCS it is ridiculous to let it get into the hands of the Forest Service where, in my part of the country, it takes 20 years to reforest and in much of the United States it would take 70 or 80 years.

What is your relationship now, on a general basis, with the U.S. Forest Service? Are you able to cooperate with them in connection with these sorts of things?

Mr. BERG. Yes. I think the thing that we would like to emphasize here is that they have had about five years of experience in this planning process through their Resources Planning Act. That came earlier than the Resources Conservation Act that we have. So we have drawn extensively on their experience in this regard, using much of their data, especially as it applies to the forestry activities on both the public and the private lands.

The new leader of the Forest Service, Chief Peterson, and I are dedicated to making our inventory data assessment as unified as possible and then moving to make certain that their jurisdictions and ours are compatible throughout the country.

I think it is a healthy relationship. As a matter of fact, for individual project activities, both watershed and RC&D, the Forest Service does take the leadership for Forestry with the State forestry agencies. We transfer the necessary funds to their Agency.

We also find in all the emergency work that we talked about earlier they are a co-partner on this from start to finish.

PLANT MATERIALS CENTER WORK

Mr. WHITTEN. With the fine job that you folks are doing—with all the plants and young trees and other things that you can plan for and the local folks will use—why you are always trying to get rid of the plant materials center? Why are you always doing that? Do you not want to be bothered with it? I have never seen a State that you could trust to look at the other fellow's business as well as it would its own.

Every few years we have efforts by the Soil Conservation Service to get rid of these. Why?

Dr. CUTLER. This was a decision made by the Department's policy staff early in 1977 when this Administration just came on board. We had a very tight budget. The Department's budget staff said that this was one we ought to look at from the stand-point of——

Mr. WHITTEN. That is what they said, but what they meant was that Congress would put it back for you.

Dr. CUTLER. I do not really think they thought that. I think there was a chance they thought——

Mr. WHITTEN. Why not have the wherewithall to carry it out? I was on this Committee years ago when we spent millions of dollars getting

farmers to plant young trees, but we did not have any trees. This Committee had to put $200,000 in there to produce small trees because we were spending millions of dollars educating people to put out young trees and we had none for them to plant.

How can you spend the millions that you do here in ACP if you are not going to have any plants?

Dr. CUTLER. We know that some conservation districts, for example, have administered plant material centers in Colorado. Two conservation districts jointly administer a plant materials center without USDA basic funding. And that is true in some other parts of the country.

We just wanted to see if there was a possibility of having States and universities pick up some of this financial responsibility, and we have that review underway.

Mr. WHITTEN. It is working pretty well as it is, but if you are wrong you are just losing two or three years.

Dr. CUTLER. We are not losing anything. We are going ahead just as if the study were not underway. We are going ahead with business as usual, but we are conducting a study in addition to see if there is some other way to administer the program.

Mr. WHITTEN. In other words, you plan in the coming fiscal year to keep the centers as they are?

Dr. CUTLER. Yes, sir.

Mr. WHITTEN. Would you please list for the record the location of each of these centers, showing the Federal investment at that center, the number of people stationed there, and a general description of the facilities and amount of property at that area?

Mr. BERG. We will supply that for the record.

[The information follows:]

LOCATION, LAND OWNERSHIP, ACREAGE, FULL-TIME SCS EMPLOYEES AT PMC'S

Location: Land ownership	Acreage	PFT, SCS	Allocation, fiscal year 1980
Tucson, Ariz.: Soil Conservation Service (SCS)	48	4	$135,000
Lockeford, Calif.: SCS	106	3	157,000
Brooksville, Fla.: SCS	182	5	123,000
Americus, Ga.: SCS	344	3	130,000
Hoolehua, Hawaii: State	80	2	108,000
Aberdeen, Idaho: State experiment station and South Bingham SCD	113	4	158,000
Manhattan, Kans.: SCS	169	4	128,000
Quicksand, Ky.: State experiment station	77	4	116,000
Beltsville, Md.: SCS	140	6	195,000
Rose Lake, Mich.: State Department of Natural Resources	35	2	88,000
Coffeeville, Miss.: Forest Service	195	4	120,000
Elsberry, Mo.: SCS	263	3	110,000
Bridger, Mont.: Montana and Wyoming Soil Conservation Districts	110	5	140,000
Los Lunas, N. Mex.: State experiment station	62	1	125,000
Big Flats, N.Y.: SCS	207	4	160,000
Cape May, N.J.: State	144	4	123,000
Bismarck, N. Dak.: North Dakota Conservation District	60	2	120,000
Corvallis, Oreg.: State experiment station	35	2	98,000
Knox City, Tex.: Leased	70	4	145,000
Pullman, Wash.: SCS	160	4	135,000

A typical PMC consists of: land, an office building, a seed and plant cleaning and processing building, seed and plant storage facilities, garage, shop, headhouse and greenhouse, equipment storage buildings, a lathhouse, wells, irrigation system, and a complete line of equipment including trucks, tractors, combines, seed processing equipment, etc.

SCS has just completed a current appraisal of the land and buildings at several PMC's. Appraisals of the others are planned. The following, however, will illustrate the value of PMC's.

Location	Land	Buildings	Improvements	Total
Lockeford, Calif	$341,000	$522,800	$121,300	$985,100
Brooksville, Fla	510,000	58,785	69,839	638,624
Quicksand, Ky	150,000	156,968	74,350	381,318
Elsberry, Mo	315,600	135,334		450,934
Big Flats, N.Y	213,150	108,487		321,637
Pullman, Wash	551,250	143,698	33,100	728,048

In addition, each PMC has a complete line of field, seed processing, and shop equipment. The amount and quality of equipment varies somewhat among centers, but an average replacement cost would be approximately $250,000 to $300,000 per center.

Mr. WHITTEN. You say that an average of seven new conservation plants have been released each year for conservation purposes from these centers. Would you please provide the number released by center?

Mr. BERG. We will supply that information for the record.

[The information follows:]

CONSERVATION PLANTS

While the seven new conservation plants is a good average figure, a long-term, continuing and strongly coordinated program collects adequate information to identify an increasing number of plants each year. Thirty-two new conservation plants were released to commercial seed growers and nurserymen during the last two years. A total of 109 new conservation plant varieties are scheduled for release over the next five years.

Approximate number of conservation plants cooperatively released [1]

Location: [2]	*Number*
Tucson, Ariz	12
Lockeford, Calif	16
Brooksville, Fla	11
Americus, Ga	11
Hoolehua, Hawaii	4
Aberdeen, Ind	12
Manhattan, Kans	19
Quicksand, Ky	4
Beltsville, Md [3]	2
Rose Lake, Mich	4
Coffeyville, Miss	7
Elsberry, Mo	10
Bridger, Mont	7
Cape May, N.J	6
Los Lunas, N. Mex	20
Big Flats, N.Y	7
Bismarck, N. Dak	9
Corvallis, Oreg	4
Knox City, Tex	19
Pullman, Wash	19

[1] The number of released conservation plants is only a partial measure of contribution of a particular PMC. Through this coordinated program, all centers have tested and introduced into extensive use in the area they serve, improved plant varieties developed by other centers. Also several centers may contribute in the testing which results in the release of an improved plant variety by one center. Frequently seed or plants are produced in geographic areas other than where the plants were released. In such cases, the center serving the production area has to develop the production techniques for the successful commercial production in that area. Centers also develop cultural methods for the successful use of both—plants released by that particular center and those adopted but released by other centers.

[2] Some PMC's have been in operation since the 1930's. Others were established in the late 1950's.

[3] This is the National Plant Materials Center. Its primary function is the introduction and increase of plants from foreign sources. Seed and plants are then sent to other centers for testing.

ARS TAKEOVER OF PLANT MATERIALS CENTERS?

Mr. WHITTEN. Have you considered the possibility or explored the possibility of these centers being taken over by the Agricultural Research Service?

Mr. BERG. No, as research is not involved in the SCS PMC's studies. The SCS plant materials program is designed to compare large assemblies of plants and select the plant or plants best suited for solving a particular erosion or sedimentation problem usually on soil and site conditions where it is difficult to establish vegetative cover. The procedures used by SCS through comparative evaluations both on the center and off center on selected sites typical of the particular problem make it possible to find suitable plants and techniques for their effective use in a relatively short time to help solve urgent erosion and sedimentation problems.

While research is not involved in SCS's plant materials work, it is SCS policy to conduct plant materials work in cooperation with State and Federal research agencies and organizations, including Science and Education Agency and State Agricultural Experiment Stations. The SCS plant materials work is supported by these research agencies, and numberous cooperative agreements and memorandums of understanding exist covering the testing, selection, release, exchange, and commercial production of conservation plant materials. The comparative plant materials work helps fill the need of an action-oriented agency by serving as a bridge between soil conservation plant materials problems and research agencies. Close working relationships help assure there is no duplication of effort.

Several Federal and State agencies, including the Bureau of Land Management, the Environmental Protection Agency, the Office of Surface Mining, and the U.S. Fish and Wildlife Service, State highway agencies, and State departments of fish and game have relied heavily on the SCS comparative plant materials program to help them meet their needs for suitable conservation plant materials.

RESOURCE CONSERVATION ACT

Mr. WHITTEN. Under the Resources Conservation Act you are developing a national program for the conservation of soil, water and related resources. Under this you have identified seven resource areas and in connection with each of these areas, you have established objectives, proposed strategies to accomplish objectives, and estimated the cost. In fact, to carry out your objectives, you are estimating a cost of $225 billion over the next 50 years. These proposals are now out for public comment. Some of the strategies you have identified are: redirect existing conservation programs; farmers required to solve conservation problems or no USDA assistance; grants to States to help achieve national objectives; local, State and national regulations coupled with financial assistance; conservation contracts with farmers. To what extent and how do you propose to go about it? Do you hope to translate all your work under this Act into legislation?

Mr. BERG. The alternative strategies described in the draft RCA Program report represents a range of approaches to a soil and water conservation program. Each alternative is not mutually exclusive.

Some of the alternative strategies, such as the redirection of existing conservation programs, could be implemented by changes in policy and procedures. Other strategies would require new legislation. The approach USDA ultimately recommends to the President may be one of these strategies or more likely combination of strategies. The recommended program will be submitted by the President to the Congress. It is anticipated that a legislative proposal will be submitted to the Congress by the Administration following transmittal of the recommended program for authorizations of program elements requiring new legislation.

Mr. WHITTEN. As you know, the Congress has repeatedly defeated land-use planning legislation. How does your work under RCA relate to land-use planning and how does RCA, in general, differ from land-use planning?

Mr. BERG. The Resources Conservation Act of 1977 directs that USDA soil and water conservation programs be responsive to the long-term needs of the Nation. The Act further directs the preparation of an appraisal of the current status of the Nation's soil, water, and related resources and a program for furthering the conservation protection and enhancement of those resources. The Act also directs the Secretary of Agriculture to carry out these activities in cooperation with State soil and water conservation agencies, conservation districts and other State natural resource agencies. The Act is clearly not a land use planning Act. The legislative history of the Soil and Water Resources Conservation Act is very clear in this regard. Moreover, the process for preparing the required reports to the Congress has emphasized analysis and evaluation of soil and water resource problems concerns rather than prescriptions for Federal land use planning.

Mr. WHITTEN. One of your main objectives is to stop the loss of prime farm land. How do you propose to accomplish this objective?

Mr. BERG. Analysis for the 1980 RCA draft reports identified seven resources areas of concern. USDA has proposed specific objectives for each resource area of concern. These objectives establish quantifiable levels from which future soil and water conservation programs may be evaluated.

The loss of prime farmland is one of the items in resource area 1—soil resources quantity and quality for food and fiber production. The draft program report states that it is the objective of USDA to retain prime and unique farmland to the maximum extent in accordance with the Secretary of Agriculture's Memorandum No. 1827 on land use policy, pending results of the National Agricultural Lands Study. That study, cosponsored by the Secretary of Agriculture and the Chairman of the Council on Environmental Quality, will submit its report to the President in January of 1981. More specific recommendations for administrative and legislative actions to deal with the issue of prime farmland and farmland retention will be forthcoming in the NALS report.

A number of ongoing USDA activities support the Secretary's land use policy by providing assistance to State and local units of government. For example, the Cooperative Soil Survey Program and the SCS Inventory and Monitoring Program provide basic soil resource data and interpretations to identify prime lands that may be considered for protection by local decisionmakers.

NOTIFICATION OF RCA MEETINGS

Mr. WHITTEN. What have you done to notify farmers and ranchers of your proposals?

Mr. BERG. USDA agencies having responsibilities for the 34 USDA soil and water conservation programs were required to jointly develop a State public participation plan which identified individuals, groups, and organizations that would be affected by RCA activities and specific ways of reaching them and informing them about RCA proposals.

Information efforts through newspapers, radio, television and organizational newsletters were also part of the public participation effort to reach farmers and ranchers.

USDA agencies at the State and local level have held meetings jointly with State and local conservation agencies and interest groups during the 60-day public review period. The Department of Agriculture printed 10,000 copies of the drafts of the Appraisal and of the Program Report and Environmental Impact Statement, and the Summary have been placed in both the Soil Conservation Service field office and in the Agricultural Stabilization and Conservation Service county office. The Appraisal and Program reports have been kept in these offices for public use. The Summary document was available for distribution to the public. USDA has also made copies of the summary documents available to conservation and agricultural organizations, groups and individuals. These include farm groups, academic, agribusiness, and agriproducer sectors; civic, social action, consumer, environmental, conservation and professional organizations; and labor, minority, industrial, religious, youth, and transportation groups. USDA also sent copies to principal federal agencies and to a large number of national organizations including farm, conservation and environmental groups. In addition, 18 public meetings were held throughout the Nation during the 60-day review period.

RCA PARTICIPATION

Mr. WHITTEN. How actively are farmers and ranchers participating in the RCA meetings?

Mr. BERG. We estimate that farmers and farm organizations represented about 36 percent of the total attendees at the 18 RCA regional public meetings held in February.

Mr. WHITTEN. Do you have any breakdown that would show the types of groups or individuals participating in an average RCA meeting?

Mr. BERG. I will be happy to supply that for the record.

[The information follows:]

RCA PUBLIC MEETINGS INFORMATION

RCA regional public meetings were held in 18 locations during the period of February 19–28, 1980.

Official attendance has not been fully tabulated as of this date. Based on returned registration cards and discussions with RCA staff, there were approximately 1400 attendees. The range in attendance per meeting site was 27 to 280. Types or categories of individuals or groups attending and estimated numbers of each are shown in the following table.

Category	Number	Percent of total
Academic	44	3
Environmental and conservation[1]	218	16
Farmer	450	32
General farm organizations	50	4
Government—USDA—Agencies	299	21
Government—Non-USDA	23	2
Non-AGRI—Business and industry	30	2
Professional organizations	3	
State and local government	71	5
Media	31	2
Other	181	13
Total	1,400	100

[1] Includes those indicating affiliation with soil conservation districts.

Mr. WHITTEN. What steps will you follow after completion of the hearings and comment period?

Mr. BERG. Statements obtained from the public meetings and specific comments by individuals and organizations are to be forwarded to a USDA Response Analysis Center in Athens, Georgia. The comments will be analyzed and classified at the center for use in preparing the recommended USDA soil and water conservation program. For example, responses or comments will be classified to reflect regional or State concerns as well as farmers and ranchers in contrast to urban dwellers. The comments will then be evaluated in detail by the USDA–RCA Coordinating Committee and considered by them in developing the recommended USDA soil and water conservation program. We anticipate transmitting the 1980 Appraisal and Program Report to the Congress later this summer.

Mr. WHITTEN. How much money has been spent on developing this program?

Mr. BERG. I will supply that for the record.

[The information follows:]

SOIL CONSERVATION SERVICE RCA ACTIVITIES COSTS

	1978 actual	1979 actual	1980 estimate	1981 budget estimate
Technical assistance	307,280	4,552,590	4,477,413	5,360,000
Grants to State agencies and conservation districts	4,111,655	2,294,345		
Total	4,418,724	6,904,114	4,477,413	5,360,000

These amounts are for Soil Conservation Service RCA activities, including contracts and agreements with other agencies and outside consultants for specific items. They do not include costs incurred by other agencies through participation on the RCA Coordinating Committee.

Mr. WHITTEN. How much money has been spent on carrying out the hearings?

Mr. BERG. Estimated cost for the 18 public meetings is $34,000, including rental of meeting rooms and equipment, preparation of transcripts, and travel.

Mr. WHITTEN. Would you please provide for the record a table showing the amount of SCS funds as well as other agency funds that will be spent on RCA activities each year for the coming five years.

Mr. BERG. I would be happy to provide that for the record.

[The information follows:]

RCA—RELATED FUNDING BY AGENCY

The Resources Conservation Act establishes a continuing process of resource appraisal, annual evaluations, and a periodically updated program. USDA agencies having responsibility for the 34 USDA soil and water conservation programs are cooperating in the RCA process. Projected annual funding for the next 5 years is shown in the following table.

Projected annual funding for RCA-related activities, by agency, fiscal year 1981–85

Agency:	
Agricultural Stabilization and Conservation Service	$150,000
Economics, Statistics, and Cooperatives Service	150,000
Farmers Home Administration	50,000
Forest Service	75,000
Office of Budget, Planning and Evaluation	12,000
Rural Electrification Administration	5,000
Science and Education Administration	75,000
Soil Conservation Service [1]	5,360,000 [1]

[1] This amount is for Soil Conservation Service RCA activities, including contracts and agreements with other agencies and outside consultants for specific items.

SNOW SURVEY AND WATER FORECASTING

Mr. WHITTEN. According to page 323 of the notes you state, "In fiscal year 1980, a plan will be developed to evaluate alternatives for the phased and orderly transfer of part or all of the management and/or financing of the program to nonfederal control over a period of the 2 fiscal years 1981 and 1982." If you have made up your mind to do this, why are you bothering with public hearings?

Mr. BERG. No decision has been made to transfer all or any part of the snow survey and waterforecasting program to nonfederal control. Alternative ways to finance and manage the program are being studied and the study report is expected to be completed in early April 1980. A program level will be recommended by the Department shortly thereafter. The study report will include an evaluation of public responses from public meetings and elsewhere and an analysis of three to five alternative levels of Federal involvement.

Mr. WHITTEN. How much have you spent to date on public hearings? How many have been held and where have they been held?

Mr. BERG. We will be glad to supply that information for the record.

[The information follows:]

SNOW SURVEYS' PUBLIC HEARINGS

Federal funds spent to date on public meetings amount to approximately $125,000. Following is a list of States holding public meetings and the number of meetings in each State:

State:	*Number meetings*
Alaska	2
Arizona	1
Colorado	4
Idaho	4
Montana	2
Nevada	3
New Mexico	1
Oregon	5
Utah	3
Washington	2
Wyoming	6
Total meetings	33

CONGRESSIONAL APPROVAL OF THE SNOW SURVEY TRANSFER?

Mr. WHITTEN. When did the Congress concur in the proposed transfer of the snow survey program?

Mr. BERG. The House Appropriation Subcommittee was advised of the Department's intention to study the opportunities for nonfederal funding and management of the program at the time of the fiscal year 1980 Agriculture hearings. At that time, there did not appear to be any disagreement with the proposal to carry out this study. As no decision has been made to transfer any part of this program to nonfederal control, there has been no reason to ask for Congressional concurrence.

Mr. WHITTEN. To what extent is the proposed transfer from Federal control of the snow survey program and the plant materials centers program an attempt to cut Federal employment?

Mr. BERG. At the time the initial proposal was made to study the program, reduction in Federal employment was a factor although not necessarily the main factor. There are 32 employees assigned full time to the snow survey program and another 200 that spend up to 1 month per year. Up to half of this time could be diverted to other activities if snow surveys were handled entirely by nonfederal institutions.

There are 75 full time employees in the SCS Plant Materials Centers program. If these centers were transferred, SCS technical assistance to the non-federal operator would be required to maintain coordination and to meet multi-state and regional plant materials needs. Therefore, a transfer of the centers to non-federal control would have little significant effect on reducing Federal employment.

Mr. WHITTEN. What would be the impact on the programs to conserve and protect this country if both of these programs were terminated?

Mr. BERG. Snow survey and water supply forecasting is but one element of a unique resource planning and application system that involves a variety of disciplines in developing soil and water conservation plans.

Water supply forecasts are designed principally to serve irrigation water users but the information obtained from the snow survey activity has served a wide variety of water-using interests concerned with regulation of reservoir storage, fish and wildlife habitat protection, power generation scheduling, water quality management, and determining municipal and industrial supplies. The program is limited to the 11 Western States and Alaska. The annual value of water forecasts for irrigated areas in the 11 Western States is more than $4.00 per acre. Water supply forecasts are used on more than 10 million acres. This benefit of $40 million represents more efficient agricultural production, reduced farm-operating costs, and energy consumption.

Water supply forecasts are made at least monthly from 500 western river locations. The forecasts are developed from snow and related data collected through a network of data sites located in the western mountains. The present program was begun in 1935, following the drought of 1934. Snow water content and other data are measured on a monthly or more frequent basis at about 1,600 sites.

Water supply forecasts have played a vital part in minimizing the impacts of drought on western irrigated agriculture. By providing advance warning of an impending critical water supply situation, a farm operator can adjust crop acreages, types of crops, improve efficiency of his irrigation system, in some cases, and may develop temporary sources of supplemental water. During the recent western drought in 1976–77, serious water shortages were forecast as early as January, giving ample time for management decisions to minimize the impact of the water shortage.

The Plant Materials Centers program is concerned with plant materials needs in reducing erosion and sedimentation. These centers test plant materials, select those appropriate for conservation, and release them for commercial production. These centers also develop techniques for their effective use. These plant materials are used in conservation and environmental improvement programs where existing plants and conservation measures are not suitable or available. This nationally-coordinated program involves a network of 22 PMC's. These centers are located throughout the United States. These centers, their testing, and their plant development are adapted to both local and regional conditions to meet the need for plants for reducing erosion and sedimentation.

The work of these centers is conducted in cooperation with, but does not duplicate, the work of Federal and State research agencies. The comparative plant materials testing program, carried out through numerous cooperative agreements, helps many Federal and State agencies meet urgent plant materials needs for conservation and environmental improvement, as well as the needs of SCS. This work is also done in close cooperation with commercial seed growers and nurserymen and their associations who grow and distribute these specialized material to the public.

Under this program, about 16,000 domestic and foreign plant collections are being evaluated over a period of 5–10 years. In 1978 and 1979, an evaluation was completed for 32 varieties, and these improved conservation plants (grasses, legumes, forbs, shrubs, and trees) were released under this program, over 140 were in commercial production and extensive use in 1978. Further, for these 140 plus varieties, commercial seed growers and nurserymen produced seeds and plants in sufficient quantity for conservation treatment of 1,700,000 acres of land. These plant materials would not have been commercially available had it not been for the nationally-coordinated PMC's program.

TECHNICAL ASSISTANCE

Mr. WHITTEN. According to page 313 of the notes you say that, "Direct technical assistance to the Nation's conservation districts would be reduced by 197 staff years of effort." Dr. Cutler, how does this proposed reduction relate to the tables you have attached to your witness statement that show that we have too much soil erosion, that we have lost too much prime farmland, that we have too much upstream floods? Is this part of a plan that says the worse things get, the more people we'll get rid of?

Dr. CUTLER. Soil Conservation service personnel will continue to increase production per staff year as we have over the past few years.

This will enable us to partially offset a reduction in output that one would expect from a reduction in personnel of 197 staff-years at the field office level.

We will continue to see an increase in the amount of State and local funds and staff being directed towards the conservation movement. These State and local inputs will also offset a portion of the reduction in output one might expect from a reduction in personnel of 197.

In the past 2 years, through redirected activities we have begun to establish a format for redirecting staff and funds into selected target areas of critical need. We anticipate continuing this targeting effort in the future. Through such efforts as, concentrating our funds and personnel in critical areas of need, we will be able to accelerate our assistance in the areas of excessive soil erosion, upstream flooding, and localities in which we are seeing an excessive loss of prime farmland.

RIVER BASIN SURVEYS AND INVESTIGATIONS

Mr. WHITTEN. In connection with river basin surveys and investigations, you state that it normally requires 7 to 8 years to complete a river basin survey. Why exactly does it take this long to complete a survey?

Mr. BERG. The 7 to 8 years to complete river basin studies was rather common until recently. This resulted from studies being very broad in scope requiring a great deal of time for surveys and inventories of almost all water and related land resources, often resources that did not have serious problems.

In 1977, a new direction was initiated toward shorter duration studies that are problem oriented, to develop alternative solutions and display solution effects. These studies usually stress one or two urgent problems and alternative solutions that can be implemented.

Most comprehensive studies are now completed and the remainder are near completion. Studies started in 1978 through 1979 will have an average study time of less than 4 years.

Mr. WHITTEN. How many people would normally be assigned to working on a study and how many person-years would it take to complete this study?

Mr. BERG. Studies conducted under the former "Comprehensive Approach" generally require a full interdisplinary staff. This includes a fulltime staff leader, secretary, technician, civil engineer, agricultural economist, biologist, hydrologist, soil conservationist, and geologist. In addition, time is required by other staff members to coordinate study activities. This type of study requires approximately 50 person-years.

Mr. WHITTEN. You say that during the coming year the scope of the studies will be changed. Exactly how will they be changed and why? What is wrong with the way they are now done?

Mr. BERG. We will no longer perform comprehensive studies in which a broad range of water and related land resources problems and solutions are studied. That type of study often required considerable effort in inventories and planning of specialized resource areas for which there was limited local interest, use and resulting action when the study was completed. We will do that type of study in those cases where it meets State and local needs. However, the new approach allows the local study sponsors and USDA to focus a study on the one

or two most urgent resource concerns so as to provide information and alternatives for near term decisions.

There is nothing conceptually wrong with the conventional comprehensive studies. However, they often included study effort on resource conditions in which there was little immediate urgency or interest. Consequently, the study results are not put to early and effective use and tend to become out-of-date before they are used.

Mr. WHITTEN. You say that the average time required to complete a river basin survey will be reduced to 3 or 4 years as a direct result of reducing the scope of the study. What parts of the study will be dropped?

Mr. BERG. The "Special Study" approach targets river basin studies to specific high priority problems that need basic data and alternative solutions that encourage early decisions and implementation. There is no set pattern as to what is dropped, except that those water functions that are not significant are not studied. For example, if municipal and industrial water supplies and water-based recreation supplies are adequate, these would not be included as primary targets of the study. Similarly, other functions may be omitted too and the priority problems vary from basin to basin.

In many cases, prior studies provide information that can be updated and supplemented to satisfy specific study needs. This results in no loss of study effectiveness for the purposes for which the study is formulated.

The longer, more comprehensive studies are still utilized in areas where the need is justified.

Mr. WHITTEN. To what extent will the usefulness of the study be altered ?

Mr. BERG. The usefulness of river basin studies have been enhanced because of the new approach. Studies are designed for use by the local sponsors. The more compressed study time allows the results to be available for use in implementing recommendations before conditions change that make information obsolete. Also, the fact that a study focuses on the one or two highest priority concerns of the State and local participants, stimulates and maintains a high level of interest in progress, recommendations and implementation.

WATERSHED PLANNING

Mr. WHITTEN. In reviewing watershed planning, we note that you are proposing a reduction of $4.6 million in connection with your planning efforts. You go on to say that no new planning starts will be initiated and the available resources then will be applied to plans already in progress. Did you consider the possibility of maintaining the funding at the same level, but increasing the rate at which plans are completed? According to the chart on page 343 of the notes you will complete 20 plans during 1980, but only 10 during 1981. How many would you complete if the funds were restored?

Mr. BERG. The estimated number of plans completed would be 20 if the funding level were restored.

Mr. WHITTEN. According to that same table, you only started 8 new constructions during fiscal year 1979. Why did you start only 8

new projects instead of the 25 you were directed to start by the Congress?

Mr. BERG. The new construction starts were based on readiness of sponsors. All projects ready for a construction start were funded in Fiscal Year 1979.

WATERSHED AND FLOOD PREVENTION OPERATIONS

Mr. WHITTEN. In connection with the Public Law 534 carryover funds, we notice that there has been a significant draw-down in the carryover which would have the effect of your proposed 1981 program being much lower than the actual program carried out during fiscal year 1980. What is the maximum amount of funds that could be effectively obligated during fiscal year 1981 for these projects? Would you please indicate that by project.

Mr. BERG. We will be happy to supply that information for the record.

[The information follows:]

POSSIBLE 1981 OBLIGATIONS PUBLIC LAW 534

The following estimates by project represent amounts that could be effectively obligated in Fiscal Year 1981:

Colorado (middle), Tex	$2,786,000
Coosa, Ga., Tenn	—
Little Sioux Iowa	2,432,000
Little Tallahatchie, Miss	1,770,000
Los Angeles, Calif	1,104,000
Potomac, Va. and W.Va	3,462,000
Santa Ynez, Calif	1,821,000
Trinity, Tex	5,418,000
Washita, Okla., Tex	6,052,000
Yazoo, Miss	8,790,000
Subtotal	33,635,000
Loan services	222,000
Total	33,857,000

PUBLIC LAW 566 PROJECT PLANS FOR FISCAL YEAR 1981

Mr. WHITTEN. According to your statement in the explanatory notes, no new P.L. 566 projects will be approved until the Congress provides funds for an independent project review by the Water Resources Council. The House Agriculture Committee has already specified in legislation that the Water Resources Council is not to review Public Law 566 projects. Since there is evidently no hope for funds for an independent project review, what are your plans for fiscal year 1981?

Mr. BERG. The independent review of projects by the Water Resources Council is required by Executive Order. Until such time as the Executive Order is rescinded or legislation is signed by the President which supersedes it, we will continue to adhere to the requirement.

Mr. WHITTEN. During fiscal year 1981, you plan to complete 28 projects. How much would be required to complete an additional 10 projects over and above what you now have scheduled?

Mr. BERG. Completion of an additional 10 projects is estimated to cost $930,000. The actual completions, however, are dependent on the readiness of sponsors to complete their requirements. Program history shows that only 25–30 projects will be ready for the final construction contract.

Mr. WHITTEN. How much would be required to complete an additional 20 over what you have scheduled?

Mr. BERG. It would cost twice as much or about $1,860,000 to complete 20 additional projects.

RESOURCE CONSERVATION AND DEVELOPMENT PROGRAM

Mr. WHITTEN. Dr. Cutler, according to the last page of your statement, you say that you are carrying out the 1980 Resource Conservation and Development Program in full accord with Congressional direction. As you know, the Congress did not concur in the Administration's proposed three-year phaseout of the RC&D Program. However, one sentence later, you state that the program will be phased out by the end of 1982. One sentence would appear to contradict the other sentence in your statement. Would you please clarify this.

Dr. CUTLER. The RC&D Program for FY 1980 is being carried out in its traditional manner in full accord with Congressional direction. However, FY 1980 is also the first year of a 3-year phaseout. We have programmed a reduction of staff and activities which if it meets Congressional approval will result in a culmination of the RC&D Program by FY 1982.

Mr. WHITTEN. The Resource Conservation and Development Program is mentioned as contributing to rural development efforts in the President's new Rural Development Initiatives. If the President cites the accomplishments of this program in his Rural Development Report, why are you then turning around and proposing to phase the program out?

Dr. CUTLER. As stated in the record, the RC&D Program has not demonstrated its effectiveness in terms of statistical significant economic achievement. While there are successes to consider, it is our opinion that we in USDA should focus on other programs and activities that have a record of achievement.

Mr. WHITTEN. If the Congress approves the same language for fiscal year 1981 as it approved for 1980 for the RC&D Program, how will you alter your current program plans?

Dr. CUTLER. If it is the intention of Congress to carry out this Program we will reassess our position. In this assessment we will determine if redirection of program resources might result in greater productivity or if effort should continue to persuade Congress to aid us in the effort to terminate the Program.

RURAL CLEAN WATER PROGRAM

Mr. WHITTEN. According to the project on page 310 of the notes, the Soil Conservation Service will obligate $1,755,000 of rural clean water funds that were appropriated in fiscal year 1978. How are these funds being used during fiscal year 1980?

Mr. BERG. The unobligated funds are being used to finish work started under the Clean Water Act of 1977 and to support SCS work

with the Agricultural Stabilization and Conservation Service in the early development and implementation stages of the 1980 experimental Rural Clean Water Program. That work includes assistance in promulgating regulations, preparing procedural documents, review of project applications, and conducting training of field personnel.

Much of the success of the 1980 RCWP will depend upon how effectively USDA uses the experience gained to-date through water quality project efforts. SCS will use part of the unobligated funds to support the development of a water quality project analysis system which will use data from and technical analysis of the Model Implementation Program, the 1980 RCWP, and other water quality project efforts. SCS will intensify its water quality data collection and monitoring activities during the initial year of the 1980 RCWP so that sound technical information is available for evaluation of cause/effect and cost effectiveness relationships for best management practices. The experimental nature of the 1980 RCWP makes it important that the planned evaluations be carried out to guide future Administration efforts to control agricultural non-point source pollution.

Mr. WHITTEN. Why have these funds remained available all this time?

Mr. BERG. The supplemental funding that SCS received in 1978 was to be used for staffing, travel, training and development of materials for the Rural Clean Water Program authorized by Section 35 of the Clean Water Act of 1977. SCS used the funds for the authorized purposes but because of the uncertainty of funding for the program, did not fully staff for program implementation.

Mr. WHITTEN. Would you please describe in some detail the role of the Soil Conservation Service in the rural clean water program to date.

Mr. BERG. Final rules were published in the Federal Register on November 1, 1978. Eight RCWP workshops jointly sponsored by SCS and EPA, were held between February 26 and April 10, 1979, and attended by over 900 local, State and Federal agency personnel. Program procedures were set forth in a draft manual that was distributed to those who would be involved in program implementation. The Governors of 33 States submitted 64 applications for assistance under the Public Law 92–500 program.

Under the 1980 experimental Rural Clean Water Program, the Soil Conservation Service has responsibility for coordinating and providing assigned technical assistance in approved RCWP projects and has actively participated as a member of the National Coordinating Committee.

SCS assisted ASCS in the development of program rules and a procedural manual. We participated with the National Coordinating Committee in the process of recommending projects for approval to the Secretary. More recently, we have developed and distributed procedural information to affected SCS offices concerning how our role in the 1980 RCWP is to be carried out. At the present time, we are assisting ASCS in training workshops for the 13 affected States to move into project operations. These workshops are expected to begin the week of March 23.

Mr. WHITTEN. What role will SCS play in the rural clean water program as proposed by the Administration for fiscal year 1981?

Mr. BERG. The Soil Conservation Service will continue to carry out the same responsibilities in fiscal year 1981 under the Rural Clean Water Program as in fiscal year 1980.

The Secretary of Agriculture has delegated responsibility to the Soil Conservation Service to coordinate technical assistance for the experimental Rural Clean Water Program. The 1981 funds are to be used to complete that experiment. Because 13 projects are now operational, the SCS activities in program and project formulation will decrease and direct technical assistance to project participants will increase.

Mr. WHITTEN. Of the funds you will receive from ASCS during fiscal year 1980 and 1981, how much will be for technical assistance and other work on ACP and how much will be for technical assistance and other work on the rural clean water program?

Mr. BERG. Based upon prior year fund transfer levels to SCS from ASCS and a $190 million ACP in 1981, SCS will receive a total of approximately $19.0 million from ASCS for fiscal years 1980 and 1981 for technical assistance and other work on ACP.

SCS reimbursement for technical assistance on the experimental Rural Clean Water Program in fiscal years 1980 and 1981 is expected to be about $2,253,000.

Mr. WHITTEN. Mr. Andrews?

DECREASE IN TECHNICAL ASSISTANCE PROGRAMS

Mr. ANDREWS. You have requested decreases in several of your technical assistance programs, such as Soil Survey Program and Snow Survey indicating that other methods of funding are becoming available—State, local or private. Do you have assurance that if the Federal share is reduced, the slack will be taken up by other sources or is this just wishful thinking?

Mr. BERG. We have no assurances the non-federal sector will replace federal efforts. However, since 1975 non-federal contributions to conservation programs have increased from $85,821,000 to $140,414,000 in FY 1979. Our estimates of outside funding is based on past trends. Reimbursements from the Bureau of Land Management for Soil Surveys have increased significantly in the past three years as they initiated a program to survey public lands. Reimbursements from other Federal agencies and state and local sources for soil surveys have leveled off in the last 3 years. A factor that permits a reduction in the Snow Survey Program funding for fiscal year 1981, but which may not be applicable in future years, is the reduced funding requirement associated with automation of many of the data sites.

PLANT MATERIALS CENTERS

Mr. ANDREWS. For the last two years we have heard that the reason for cuts was based on zero based budgeting. The new song this year seems to be that other funding sources will be available to take over this job. How can we be sure that if the Federal Government pulls out or reduces its share we won't end up losing valuable parts of these programs?

Mr. BERG. We cannot predict with absolute certainty what might happen to programs such as Soil Surveys and Snow Surveys if the Federal Government pulls out or reduces its share of funding. In the past, State and local support for soil survey work has been provided to accelerate ongoing work. We are not proposing that the Federal Government pull out of the program because there would be a loss of uniformity of soil surveys nationwide and their real value for technical transfer would be lost. The program level and accomplishments are expected to remain about the same in FY 1981 as in FY 1980 by substituting the reimbursable work for work financed by appropriated funds.

The reduction proposed in the Snow Survey program is related to the increased efficiency of collecting Snow Survey data with automated snow telemetry equipment instead of relying on manual readings by employees who had to travel to these remote areas by snowshoe, skies, oversnow machines or aircraft. SCS will be making a study of the program in FY 1980 to see if it is feasible to develop alternate plans for managing and financing the program. The alternatives examined will range from continuing the present program to transferring the management and/or financing of some or all of the program activities to non-Federal entities. We will inform the Committee of our findings when the study has been completed and evaluated.

WATERSHED PLANNING STARTS

Mr. ANDREWS. You have called for no new Watershed Planning starts in fiscal year 81. This program is one that has been supported by environmentalists and farmers alike, in that it presents a viable alternative to large dams. Is it not true that even though some of the watersheds planned are never funded, often some of the work suggested is done by local concerns—work that would not have been done if the original planning had not taken place?

Mr. BERG. Yes, that is correct. There are instances where funding approval was delayed and local interests proceeded to implement portions of plans without financial assistance.

Mr. ANDREWS. Did the decision for no new starts come from the agency, the Department or OMB?

Mr. BERG. The decision for no new Watershed Planning starts was the Department.

SMALL WATERSHED PROJECTS

Mr. ANDREWS. You are also calling for no new construction starts in small watershed projects. No new planning starts, no new construction—are you in effect calling for a phase out of this program?

Mr. BERG. No, the program will continue with efforts in 1981 aimed at completing ongoing work.

Mr. ANDREWS. What programs do you suggest take the place of small watersheds?

Mr. BERG. We are not suggesting a replacement for the watershed program.

GREAT PLAINS CONSERVATION PROGRAM

Mr. ANDREWS. As you know the House of Representatives has shown strong support for the Great Plains Conservation Program by re-

authorizing this program and raising the cost-sharing payment in any one fiscal year from $25 million to $50 million. Why has the Department not requested funds up to the presently authorized level of $25 million?

Mr. BERG. The Administration directed that the Department exercise fiscal restraint in requesting appropriations that would "hold the line" on federal spending. We believe the $20,591,000 requested will allow us to continue the program at a conservative level and also address some of the pressures created by inflation.

Mr. ANDREWS. If the program was funded at its authorized level of $25 million, how many new contracts would you estimate could be made?

Mr. BERG. If the GPCP request of $20,591,000 was increased to $25 million, the additional $4,409,000 would provide about 400 new contracts. In FY 1979, new contracts averaged about $11,000 each.

Mr. ANDREWS. How much of the increase you have requested will go for additional new contracts and how much will be spent because of inflation?

Mr. BERG. There will be no significant increase in the number of additional new contracts. We estimate that 1,000 contracts will be signed in FY 1981, compared to 1,043 contracts in FY 1979.

Of the $1,902,000 increase requested, $441,000 is needed for increased pay and $261,000 for operating costs, while $1,200,000 will be needed for modifying existing contracts to ensure that conservation treatment needs and related cost-sharing is sustained at current levels.

Mr. ANDREWS. If the Senate goes along with the House and H.R. 3789 is signed into law, do you expect the Department would request an increase in the appropriations for this program?

Mr. BERG. There are over 4,700 unserviced applications on hand that could be developed into new contracts. An increase in appropriations could be effectively used in reducing this backlog. However, the Department would not proceed with a request without concurrence of the Department's policy officials and the Office of Management and Budget. There have been no signals that they would support an increase request at this time.

STATUS OF RC&D PROGRAM

Mr. ANDREWS. Once again, the Department has called for the elimination of the RC&D Program. It certainly does appear that there are some people down in the Department who refuse to get the picture—this program has the support of Congress.

During last year's hearings you indicated that it was OMB's decision to discontinue the RC&D Program, not the Department's. Is that the case again this year, or has the Secretary given in to Administration pressure?

Mr. BERG. The decision to discontinue the RC&D Program is an Administration decision, jointly agreed to by OMB and the Department. The Secretary does recognize the success of the RC&D Program; but, in comparison to other USDA programs, it shows to be somewhat less effective and, therefore, is not in competition for long-term funding.

Mr. ANDREWS. What was the agency's request to the Department?

Mr. BERG. The agency's request to the Department was $34,593,000.

Mr. ANDREWS. Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Burlison?

Mr. BURLISON. Mr. Chairman, may I yield to Mr. Myers at this time? He has some questions. I came in a little late.

Mr. WHITTEN. Mr. Myers?

RECORD IN PROGRAM ADMINISTRATION

Mr. MYERS. Thank you, Mr. Chairman and my colleague, Mr. Burlison.

Administrator Berg and Secretary Cutler, you have the responsibiity of administering a program that I think is one of the better ones that the Department of Agriculture has had through the years. As the Chairman has said, it contributed greatly to improving conditions for natural resources in rural America. In my view, the job certainly is not done. I am sure that is your view, too. I often feel sorry for you people having to come up here and defend a policy that I doubt you really would put in place if you had the sole responsibility. Of course, we have to compromise here once in a while also, but not perhaps with the same reason behind it.

UPSTREAM FLOODING

One visual aid that you had had to do with too much property being lost to upstream flooding. I have noticed this year, for the first time in all the presentations made by the Administration, starting with the oversight hearing conducted by Chairman Whitten and this Committee with the Secretary of the Treasury and the Office of Management and Budget and the others from the Administration, that whenever flooding was mentioned it was a qualified flooding in every instance. It has always been considered urban flooding, not just flooding in America—urban flooding.

I notice in this summary of the appraisal of Part 1 and 2 of the program report that on page 25 you identify 175 million acres of floodplains on nonfederal lands, excluding Alaska, in the United States. That is nine percent of the total surface area of the United States. Then you go on to say that about 16 percent of the nation's 346 million acres of prime farmland are on flood plains. That is 16 percent of the prime farmland. In 1977 you say that 60 percent of that prime farmland was in crops. Then you go on to the third paragraph: "Damage to cropland and pastureland accounted for $1.074 billion. Is that right?

Dr. CUTLER. Yes.

URBAN LOSSES FROM FLOODING

Mr. MYERS. That is 65 percent. Then you go on to say that urban property lost only $318 million. So, urban had a third of rural America.

Why is it that this Administration seems to be more concerned about urban flooding than it is about rural flooding? There are a lot of young farmers that I know who are trying to get started. A flood is disastrous. They have no cushion at all today, but if they get washed out by a flood they get put out of business and face bankruptcy.

When the Administration comes down here, they only talk about urban flooding. Is the President aware of these figures of the Office of Management and Budget?

Mr. BERG. I think the story gets the attention of the media. It obviously rates.

Mr. MYERS. I am talking about the press and the Secretary of the Treasury and OMB.

Mr. BERG. It reflects the fact that a lot of people are harmed in these urban centers with the flooding problems that they do have. That generates the high demand that we have to respond to in terms of disaster relief.

NATIONAL DISASTER RELIEF MONEY

For instance, I was in Houston at the meeting of the National Association of Conservation Districts. Our local field man there tells me that he thinks about half of the national disaster money for flood relief last year went into the Houston area. They had heavy rains several times. There has been little regard for the natural drainage systems in that area, so they are going to have more of this, not less. As a matter of fact, Phoenix has just experienced this. They had in the recent rains in the West an experience that really shook those people up.

The point is that our heavy concentrations of population get attention, and I think the disaster-type money does pour into those areas to bail out those people.

What we are trying to say, as you have reflected in the story you have cited here, is that the other half of the equation is very important to the rural population of this country and to the croplands, the continued proper utilization of the land and water resources in those areas. There are damages to roads, bridges, homes, barns, and feedlots as well as the crop systems. I think we need to dramatize the rural problem more than we have.

This is partially why Public Law 566 has the number of applications that we do have on hand to do something about what they perceive is a problem that could be met through that particular law.

Mr. MYERS. I certainly do not disagree with you, but evidently the President does not see eye-to-eye with you on that point. When he was elected President, I remember everyone said, "Great, we have a farmer in the White House." While I did not vote for him, I thought we would get something out of him more than we have. At least I thought he was sympathetic to rural America. I do not see any evidence as far as flood control is concerned.

RURAL LOSSES FROM FLOODING

I realize that there are great numbers of people who are hurt in urban America from flooding, but that does not mean that rural America does not get hurt much worse.

It is probably true in most cases. Maybe a farmer who has been damaged has great dollar damages but he may not have all of his eggs in one basket. I suffer flood damage frequently along the Wabash. Our land does not even qualify for Federal crop insurance any more be-

cause we are flooded so frequently. I cannot qualify for disaster assistance because I do not have all my farmland in the river bottom. But it is just as great an impact on some farmers who have a great proportion of their land on the river bottom.

If a residence is flooded out in the city, that is probably everything a person has. Maybe there is a greater proportion here, but the dollar figures do not substantiate what this Administration is giving toward flood control, or lack of attention it is giving to rural America.

I wish somehow your people would get a message down there, if you ever get invited down to the White House. I do not. I have not been to the White House in three years. I guess I can survive for a few more months.

IMPORTANCE OF RESOURCES CONSERVATION ACT

Dr. CUTLER. One reason the Resources Conservation Act is important is that you have just found this information in this RCA summary document, as have several thousand other people. It is causing interest in these programs that we did not have before. It is going to help us justify public investment in conservation. We know our programs have been sound, but the exercise we are going through in evaluating our programs should help put to rest some of the concerns of critics of the programs in the past—that they are not as justifiable as they might be.

So, as we improve them, we might also develop a broader consensus that they are, in fact, good investments of public funds.

Mr. MYERS. The prevention of over $1 billion in loss does not sound like a pork barrel to me. Does it to you?

Dr. CUTLER. No.

Mr. MYERS. I wish somebody else would advise the President besides Ralph Nader and Jane Fonda and Joan Baez on policies like this. As long as those kinds of people are going to be giving advice, we are going to continue to suffer. I think it is more than a political issue.

NONSTRUCTURAL MEASURES

We are also hearing about nonstructural measures. What is a PL–566 nonstructural measure?

Mr. BERG. We are looking at alternative ways of dealing with flood problems. That includes the possibility of land use planning. If there are alternatives as to where people can place their high investment facilities, these should be taken into consideration, however, that is not a Federal matter. That is something that has to be done by State and local interests.

FLOODPROOFING

Floodproofing is a possibility when we find structures in the flood plains. There are flood warning systems that perhaps need to be developed that will give some early warning, especially as it concerns property that could be moved or to actual loss of life. These are the types of things that we are looking at.

CONSERVATION TREATMENT

We are also giving additional emphasis to the work on the land. The Conservation Treatment, the work we have been doing for years,

can hold additional water on the watersheds. This is the portion that does not deal with reservoirs and channeling activity.

Mr. MYERS. You mean land management—the terracing perhaps?

Mr. BERG. Yes, Mr. Myers. These are the types of things we are emphasizing.

Dr. CUTLER. We believe we should have the authority, and we believe we do have the authority to substitute land acquisition for structural construction. That is to say, use some Federal dollars to purchase the river bottom and transfer the title of that land to local governments so that land is not built upon. It is the same basis we are using to approach the problem of prime land conversion, where some States are experimenting with keeping their land in agriculture in the future. In this case, we are talking about restrictions so that the land is not developed and we do not find ourselves in a position of having to pay for flood damages that need not have occurred if that land had not been built upon in the first place.

Mr. MYERS. For a farmer who owns that land out there and who recently is having more floods because so much pavement is going on, like parking lots and supermarkets and even cities, there is not much nonstructural benefit to help that farmer save his crop, short of just building a levy or flood control measures to store water upstream?

Dr. CUTLER. The land treatment program throughout the watershed, the contouring, the terraces, the grade stabilization, the traditional best management practices will slow that water down. They just are not applied throughout the watershed as much as they might be.

Mr. BERG. I wonder if I could ask Mr. Joe Haas, who heads our Water Resources activities and who sits in on the Water Resource Council meetings and works with other Agencies on a day-to-day basis, to respond as to what he sees as opportunities in this area?

Mr. MYERS. Surely.

ALTERNATIVES TO FLOOD CONTROL WORK

Mr. HAAS. First of all, let me qualify that statement on land treatment. Conservation practices are not really an alternative to major flood control works.

Mr. MYERS. I am glad to hear that. The dreamers think it is.

Mr. HAAS. Land treatment, conservation terraces on the land, conservation tillage, and the like, do help keep the raindrop in place, if you will. And they do reduce flood peaks slightly, but not really enough to call them flood control measures. Their purpose is water conservation, soil erosion control, and so forth.

Another category is nonstructural measures which deal with floodproofing, land acquisition, early warning systems, and other things that Dr. Cutler mentioned. Those are nonstructural alternatives to flood prevention.

Mr. MYERS. The opponents today who appeared before the other committee suggest that we buy the land and make a green strip. Does that offer much relief for the downstream farmer, where somebody upstream has to catch that water and keep it? We protect the downstream users of water through riperian rights, but we are not protecting the riperian obligation of keeping the water up there and keeping it off the lower stream land. We are ignoring the riperian

responsibility for downstream sufferers of floods. Really, nonstructural is not going to help dowstream flooding, is it?

RESTRICTING DEVELOPMENT

Mr. HAAS. It could help remove future potential downstream flood damages by restricting development on flood plains and those kinds of things.

Mr. MYERS. I have 100 acres of river bottom. I am just going to say, "Oh, well; weeds, take it over." Is that a nonstructural measure?

Mr. BERG. This is the challenge. We can work with the farmer on alternative crops that are compatable with the flood frequencies. There might be other alternatives as to where the most damagable crops should be planted.

Mr. MYERS. With the exception of last year, up to that time, I had lost eight and a half crops out of 10. I would like to have some nonstructural benefit. If you people tell me how to do it, I will pay for it.

Mr. HAAS. Frankly, you have to think of nonstructural as an alternative to urban flood damage.

Mr. MYERS. That is what I am trying to get at.

Mr. BERG. I do not suggest you go look for hill land. I was on a farm in Ohio that had both flood plain and hill land. The farmer used to have the cropland in the valley and the pasture and the hay land about a mile away from the barn. The no-till operation has given him another alternative. He is now able to grow crops without excessive soil loss on the more rolling land, and he has moved his pasture and hay land and cow operation closer to the barn and down in the flood plain.

Mr. MYERS. Did you ever feed alfalfa that has been flooded? You have to have a gasmask.

Mr. BERG. I understand.

CUT IN SCS PERMANENT POSITIONS

Mr. MYERS. You mentioned you were going to cut 460 permanent positions, or are requesting to do that. I think the chairman asked that you put in the record where those positions would be taken from. Is that correct—you are going to provide that for the record?

Dr. CUTLER. We can give it orally right now.

Mr. MYERS. Just provide it for the record.

Mr. WHITTEN. Without objection, it will be included at this point.

[The information follows:]

SOIL CONSERVATION SERVICE

Analysis of EOY Employment
SCS Program Level
(FY 1981)

	FY 1979		FY 1980		Change (±) FY 1981		FY 1981	
	PFT	Other	PFT	Other	PFT	Other	PFT	Other
Conservation Operations:								
Technical assistance	7,814	1,355	8,003	1,636	-114	- 85	7,889	1,551
Inventory and monitoring	350	61	411	82	+ 7	+195	418	277
Soil surveys	1,657	263	1,582	316	+ 6	- 6	1,588	310
Snow surveys and water forecasting	52	18	47	21	- 3	- -	44	21
Operation of plant materials centers.	78	61	72	67	+ 1	- 1	73	66
Resource appraisal & program develop.	90	11	81	9	+ 8	+ 1	89	10
Rural clean water program	7	- -	- -	- -	- -	- -	- -	- -
Total, Conservation Operations	10,048	1,769	10,196	2,131	- 95	+104	10,101	2,235
River Basin Surveys and Investigations.	393	92	427	112	- 8	- 4	419	108
Watershed Planning	387	67	327	64	-121	- 24	206	40
Watershed & Flood Prevention Oper.:								
Flood Prevention-PL-534								
a. Planning	39	11	27	9	- 1	- -	26	9
b. Technical assistance	355	99	240	81	- 8	- 4	232	77
Subtotal, Flood Prevention	394	110	267	90	- 9	- 4	258	86
Emergency measures	162	108	62	47	+ 1	- -	63	47
Small watershed operations-PL-566:								
Technical assistance	1,509	318	1,465	362	-117	- 38	1,348	324
Total, WFPO	2,065	536	1,794	499	-125	- 42	1,669	457
Great Plains Conservation Program	293	50	306	61	+ 1	- 1	307	60
Resource Conservation and Development	367	122	481	140	-125	- 39	356	101
Subtotal, Soil Conservation Service	13,553	2,636	13,531	3,007	-473	- 6	13,058	3,001
Add: Allocations from other agencies:								
Rural Abandoned Mine Program	118	12	100	30	+ 13	+ 5	113	35
Trust Funds	9	4	19	3	- -	+ 1	19	4
Total, SCS Program Level	13,680	2,652	13,650	3,040	-460	- -	13,190	3,040

Mr. MYERS. I think they call them survey planning crews. Since you have no new planning starts, what is going to happen to those people? Are they going to be retired?

Mr. BERG. There are initiatives that were started in previous years where we will need some of them, but we do have a problem in terms of what to do.

Mr. MYERS. Would you put that in the record also?

Mr. BERG. We can do that with roughly 134 staffyears that have to be accommodated.

Mr. MYERS. Are those people professionals?

Mr. BERG. Yes, they are. They are a mix of disciplines—economists, engineers, geologists, and so on.

Mr. MYERS. You are going to fire them this year, and then we are going to have to hire them back next year, and they may have found other jobs when the new Administration next year may want them back. We are going to have to hire them back then. So I hate to see them leave.

WATER RESOURCES COUNCIL PROJECT REVIEW

On page 10—and we have heard this many times—it says there will be no new starts this year pending congressional approval of an independent project review authority for the Water Resources Council.

I am quite familiar with the other Water and Energy Development Subcommittee and what the Administration is trying to do. They want to have their hand on the throttle, and on the starter and the brake also. All we do is rubberstamp it and say, "Take over."

Well, I do not think you are going to find Congress doing that, but I am concerned about the intervening period.

SMALL WATERSHEDS WORKLOAD

You have about 700 projects already approved. Is that right? Why are they not going to be continued? Those are already planned and have all the approvals, with the exception of maybe some funding. Why is that contingent on any review authority? They have already been reviewed by proper law.

Mr. BERG. These we can go ahead and continue to work on.

Mr. MYERS. No new starts. These are 700.

Mr. BERG. This is a very complicated issue, but we will provide for the committee the information that I think will be helpful in this regard.

What we are talking about here are the projects that are approved for operations, but will not go into the construction phase.

Mr. MYERS. But they have already been approved. They have met all the criteria. Why does it take any more review now when they have been reviewed by the local authority and reviewed by you and the Agricultural Authorization Committee has acted on them? They are all ready to be built, so why do we have to go back to a review process again?

Mr. HAAS. We have only about six plans at the moment that are awaiting independent review. These 700 or so that you mention are

actually in some phase of operations, and they will not be reviewed again.

Mr. BERG. There are presently 158 in what we call pre-construction phase that will not be authorized for a construction start under the 1981 policy. There are 420 in construction, and there are 35 remaining that need additional land treatment. These have already been through the review process and authorized for operations.

Mr. MYERS. At the bottom of that same page, you say the number of completions will be 553 out of 1,272 approved projects. My calculation says that is about 700 difference there. Where is the difference between 553 and 1,272? They are already approved, but they have not been constructed.

Mr. BERG. There are 525 that have been completed of that 1,200.

Mr. MYERS. Yes. That is out of the 553.

You have 394 under construction, 173 in preconstruction. There were 553 completed. There are 1,112 projects not requiring funds. So what about the 173 in preconstruction? Why can you not go ahead and start some of those this year?

Mr. BURLISON. We have about four minutes. Would you like to come back?

Mr. MYERS. Yes, I will come back.

Mr. BERG. We would like to provide an explanation of this for the record because there are about a half-dozen breakdowns as to how our projects move from authorization for planning through the approval for construction given by the committees in Congress and then what we do after that. I think it would help if we could do that with the total number we are into.

Mr. BURLISON [presiding]. The subcommittee will be in recess for about five minutes.

[Recess taken.]

CONSTRUCTION BACKLOG

Mr. BURLISON. The subcommittee will reconvene. Mr. Myers?

Mr. MYERS. Thank you, Mr. Chairman.

Your explanation here that you provided, during the brief recess while we voted, on the backlog does explain your procedure but does not answer the question I have. I will try to rephrase the question.

Under P.L. 566, how many of the watershed projects is the planning complete and would be eligible to go into construction this year if there was not the administration's prohibition?

Mr. HAAS. We would probably start about 25 projects.

Mr. MYERS. I did not say how many you would start. I am talking about how many are eligible to go.

Mr. HAAS. I think it is 158 now with 173 projected for 1981.

Mr. MYERS. My question is, why do we have to wait for congressional approval of independent project review authority since the work is all done on those projects? What does that have to do with those projects?

Mr. HAAS. That is a question I really cannot answer, sir.

The policy is that there would be no new construction starts. All the reasons for that, we really cannot explain.

Mr. MYERS. I can see future planning. The administration, assuming it does get reelected, would want to have more say-so than it has had in the past. But those that are already authorized, all ready to go,

if every new administration takes that line, we are never going to get anyplace because every new administration that comes in is going to start all over new. You just cannot do that. We do not do that in Congress. We do not appropriate beyond one year. But at least we take the word and acceptance of what has been in the past.

I cannot see that those projects ready to go have anything to do with this independent review, the justification for it.

Mr. BERG. We need to look into this, Mr. Myers, and give a detailed explanation for the committee. This is a broad policy in which agriculture is a small portion, as you know, of the total decision that is pending here.

Mr. MYERS. I am very much aware that from both sides of the aisle we have had a disagreement with this administration about what role Congress shall play, what role the administration and the executive shall play in decision making in water projects.

I think most of the people of the country would rather have their elected officials, who have a better knowledge, really, of conditions back home making the decision than, frankly, appointed officials.

Mr. BERG. It is our understanding, sir, that——

Mr. MYERS. And when you get back home, you change your hats, too, I am sure.

Mr. BERG. It is our understanding that, in terms of the long-term objective of the administration, the Water Resources Council is going to take over a prior function that OMB was carrying on here in terms of the review of these projects that have not yet been authorized for operations. In other words, they still take that one last step, that one last clearance in the Administration before they come to the committees in the Congress for approval for construction. That is the long-term intent.

Mr. MYERS. As far as temperament is concerned and reaction, I know of no one more capable in taking over the responsibility that OMB has had than the Water Resources Council. They have been nonresponsive to Congress as well as OMB has been. We have written into law various intentions of what the Water Resources Council shall consider, and they just openly flout the law. So does OMB.

TRADING ONE SICK HORSE FOR ANOTHER

I do not see any improvement. It will be trading one sick horse for another one; I am not ready to do that. There is no authorization, as you well know. In my own judgment, there is not likely to be. So, it looks like it is going to be a stalemate for a while.

Dr. CUTLER. The Bureau's policy direction with respect to construction projects tends to be cut to fit the Bureau of Reclamation, now the Water and Power Resources Service, and the Corps of Army Engineers. And it does not fit the Soil Conservation Service very well from time to time. So, we have difficulty interpreting administration directions for big construction projects and applying it to our small projects.

OBJECTIONS TO LARGE WATER PROJECTS

Mr. MYERS. Of course, one of the objections frequently used by objectors to large water projects is that they are very short-lived. You

build them for 50 to 100 years and they insist they will be silted in before that period; maybe some will be. So, there certainly is a responsibility that you folks have to prevent that. We certainly recognize this. But I do not know how you are going to do it without finding money, without moving off the center.

It looks like this whole administration is sitting and waiting on the brink to jump, but no action is ever taken. The committees have lots of plans, lots of plans but no action: all show and no go.

RC&D FUNDING

I have one last question. In the RC&D, I recall one that has been approved and even funded in Indiana. There has been a cutback on those. What is the status—you are prepared and knew I would ask that question?

Mr. BERG. I am not sure that I knew you would ask the question, sir. One of the new starts is an eight-county area in Central Indiana. We will provide the State conservationist the necessary help to get that underway in terms of a plan that will be needed and the work that needs to get started just as rapidly as we can.

Mr. MYERS. They are not going to renege on that one?

Mr. BERG. They are not.

Mr. MYERS. Okay. Thank you, Mr. Chairman.

INCREASE FOR SOIL SURVEYS

Mr. BURLISON. Mr. Secretary, Mr. Administrator, I echo the welcome of the chairman and other members of the Subcommittee.

You tell us on page four of the administrator's statement that—you are asking for an increase of $1,353,000 for soil surveys. This is to offset growing costs of conducting soil surveys and publishing the results.

Would it also allow for any increase in the program?

Mr. BERG. Mr. Burlison, it will not allow for an increase in the program. We hope to continue as we have for the past several years to interest non-Federal support for this program. It has been part of a cooperative effort, as the soil survey has been from the beginning.

We hope to be able to hold the line of mapping, roughly 47 million acres, and publishing those soil surveys that are ready to be published that are on schedule.

Mr. BURLISON. What was appropriated for 1980 in Federal funds?

Mr. BERG. It is about the same amount of money. I will have to have the exact amount provided for the record—$44,084,000.

REIMBURSEMENTS TO SOIL SURVEY PROGRAM

Mr. BURLISON. How much matching funds did you get?

Mr. BERG. We get, roughly, three million from state and local funds.

Mr. BURLISON. Would you amplify or tell me again how much Federal funds and how much matching funds and the source of those matching funds?

Mr. BERG. The SCS Federal funds for this coming year are at the budget estimate.

60-240 O - 80 - 40

Mr. BURLISON. What was that figure?

Mr. BERG. $45,437,000.

In 1980 that amount was $44,084,000.

Our records show that the total reimbursable contributions to SCS for soil survey nationwide has now built to 8.0 million. This includes about $5 million in reimbursements from other Federal agencies such as the Bureau of Land Management.

Mr. BURLISON. I presume that you anticipate about that figure for fiscal year 1981.

Mr. BERG. Yes, we are going to do our utmost to encourage the non-Federal contributions to hold at that item, if not increase.

Mr. BURLISON. Would you provide for the record at this point how many of these surveys you completed in Missouri in 1980 and list the counties and how many are projected for 1981 in Missouri and list the counties?

[The information follows:]

During fiscal year 1979, the following survey areas were completed in Missouri:
Complete mapping—St. Charles County.
Published—
Dunklin County.
Harrison County.
Knox, Monroe & Shelby Counties.
Montgomery & Warren Counties.
The projected completions for fiscal year 1980 are:
Complete mapping—
Christian County.
Clinton County.
Publish: Johnson County.
The projected completions for fiscal year 1981 are:
Complete mapping—
Butler and part of Ripley Counties.
Cass County.
Gentry County.
Publish—
Cape Girardeau, Scott and Mississippi Counties.
St. Francois County.
Wright County.

1980 EXPERIMENTAL RURAL CLEAN WATER PROGRAM

Mr. BURLISON. You discussed earlier with the chairman the rural clean water program. I believe the assistant secretary referred to a news release under date of March 5 showing 13 starts, programs.

How many did you have to select from?

Mr. BERG. About 64 applications nationwide.

Mr. BURLISON. Do you have a ranking of those applications by priority?

Mr. BERG. The coordinating committee, chaired by ASCS Administrator Ray Fitzgerald, drew on all types of background and experience in terms of what would be the first indication here of priority. It goes back to checking with the local people as to their responsiveness as to being able to go ahead with the project, the severity of the problem, the ability to monitor progress. In other words, there are some benchmarks out here in terms of what is there now and what should be done.

They were ranked by eight of the agencies in the Department of Agriculture in terms of what would be first priority for consideration.

Mr. BURLISON. These 13 projects constitute the top 13 priorities?

Mr. BERG. Yes, they do, sir.

Mr. BURLISON. Did Missouri have an application?

Mr. BERG. Yes, they did. I cannot tell you exactly what part of the State it was from, but I remember that there were projects from over 40 States.

Mr. BURLISON. Would you place in the record at this point those other 60 applicants and the order of their priority?

Mr. BERG. We can place in the record the number of applications that we had on hand. We did not as a coordinating committee, rank those that were still left over. Those are still available for evaluation, if additional projects are to be authorized.

Mr. BURLISON. And they might be picked up with the fiscal year 1981 funding?

Mr. BERG. There is no question about that, sir.

Mr. BURLISON. Which, as I understand, is $20 million that you have requested?

Mr. BERG. Yes, sir. We are looking, really, at a $50 plus $20, a $70 million possibility of running the program on the basis that it has been started now.

[The information follows:]

RURAL CLEAN WATER PROGRAM (RCWP)
APPLICATIONS

STATE & PROJECT	RCWP FUNDS REQUESTED (millions)
WV- Sandy Creek Watershed	2.6
ME- Aroostook-Prestile	4.0
Winnecook-Belfast	2.5
Lovejoy	0.8
Fish River	3.3
UT- Snake Creek	.6
Talmage	2.5
KS- Wakarusa	2.4
Nemaha	6.0
Stranger Creek	3.0
Wolf Creek	16.0
ID- Rock Creek	2.5
AL- Lake Tholocco	1.1
Lake Catoma	.6
SD- Oakwood Lakes	.1
VT- Lake Carmi	1.3
Black River-Lake Parker	1.3
LA- Bonne Idee	3.2
Spring Bayou	1.2
Lake Providence	.2
MD- Loch Raven Res.	1.2
Double Pipe Creek	5.3
Lingamore Creek	1.3
WA- Newaukum Creek	1.7
South Fork Palouse	3.0
MI- Saline Valley	2.1
Dutch Creek	.9
DE- New Castle County	1.9
MO- Lower Middle Fork Salt Riv.	1.5
Upper Middle Fork Salt Riv.	5.1
Crooked and Otter Creek	4.2
OR- Izee	.6
AR- Indian Creek	1.7
Chicot Watershed	.4
CA- Gloria	2.3
PA- Tulpehocken Creek	9.4
Conestoga Headwaters	16.1
NC- Black Creek/Middle Creek	2.9
NM- Dry Cimarron River	.4
WI- Lower Manatowac	1.4
Galena River	3.0
NE- Merrick Co.	3.4
Long Pine Creek	1.8
Papillion Creek	5.7
Maple Creek	3.8
IL- Carlinville Lake	1.0
Highland Silver Lake	2.3
CO- Little Thompson River	3.8
Lower Four Mile	0.2
RI- Newport	0.7
FL- Taylor Creek	2.0
Yale-Griffin Canal	0.2
Canoe Creek	1.0
OK- Little Washita	5.5
Cobb Creek	6.9
Mud Creek	6.4
IA- Prarie Rose	0.6
Green Valley	1.1
TN- Reelfoot Lake	3.5
White Oak Creek	6.2
Cypress Creek	0.9
Beaver Creek	2.9
OH- Turtle Creek	2.0
HI- Aina Kua	.1

Summary: 8
64 applications from 31 States requesting
$191.6 million in RCWP funds

TENTH ANNIVERSARY

Mr. BURLISON. Mr. Secretary, under a release of January 3, 1980, the Department told us the USDA celebrated the tenth anniversary of the signing of the National Environmental Policy Act, calling it: "the most important environmental legislation in U.S. history."

Did EPA have a celebration of this event also?

Dr. CUTLER. EPA was part of the White House program called Initiating the Second Environmental Decade. President Carter made an address of the subject about a week ago. The Chairman of the Council on Environmental Quality, Gus Speth, was the master of ceremonies; but EPA Administrator Doug Costle was on the speaker's platform. I cannot recall that EPA has sponsored a separate observance such as the one we sponsored.

IMPORTANCE OF SCS LEGISLATION

Mr. BURLISON. I was hoping to hear that EPA had a massive and monumental celebration. I hate the thought of the Department of Agriculture being the only agency in Government to celebrate this event.

I take issue with your statement, "the most important environmental legislation in U.S. history." I think the legislation that the Soil Conservation Service has been working with in the past decades, perhaps before it was called environmental, would be more important legislation than some of that that has come out since 1970.

WATERSHED PROGRAMS

Let us talk a minute about watershed programs. I believe for the watershed and flood prevention operations title you have requested $172-plus million, about a $4.5 million increase over fiscal year 1980. Do you also have a provision in this year for no new starts?

Dr. CUTLER. That is an administration-wide policy on water development, yes, sir.

Mr. BURLISON. That is for watershed planning, I guess.

Mr. BERG. It includes both watershed planning and construction starts.

Mr. BURLISON. Okay.

The $4.5 million increase is contemplated, I guess, as a cost of inflation and carrying out the programs that are underway?

Mr. BERG. Yes, it is to add to the capability that we have to beat the increased costs that are going up between 10 and 15 percent per year.

FOURSCHE CREEK PROJECT

Mr. BURLISON. Can you tell me anything about the Foursche Creek project, which is under construction in Northeast Arkansas and Southeast Missouri? Is anyone prepared to speak to that?

Mr. BERG. If this is one of the USDA projects, we will get the information for the record. If not, we will do our best to find the status of that.

Mr. BURLISON. Yes, provide in the record at this point what you are doing in fiscal year 1980 and what is in the budget in fiscal year 1981 for that project. Would you do the same for the Upper Little Black and Lower Little Black watershed projects in Southeast Missouri?

UPPER-LOWER LITTLE BLACK WATERSHED

Mr. BERG. Yes, sir. We have the information on those watersheds. We can provide that for the record.

Mr. BURLISON. On which one?

Mr. BERG. On the Lower and Upper Little Black watersheds. We also have it on the Mississippi County spillway project.

[The information follows:]

MISSOURI BUDGET—HEARING INFORMATION, RECENT PROJECTS

LOWER LITTLE BLACK WATERSHED

Approved by House (Public Works & Transportation) 6/9/76.
Approved by Senate (Public Works) 8/23/78.
Approved for Operations 9/19/78.
Estimated completion date—1990.
Project purposes include flood protection, drainage, erosion reduction, and recreation.
Project measures include conservation land treatment and structural measures.
Structural measures include 5 floodwater retarding structures, 1.3 miles of floodway, 81.1 miles of multiple-purpose channels, 1.3 miles of clearing and snagging, 1 mile of levees and a recreational development.
Missouri expects to let construction contract on Jess Wills Levee this month and on Howell Levee later this fiscal year. Sponsors are working on landrights (have obtained these from about 125 landowners so far).

UPPER LITTLE BLACK WATERSHED

Approved by House (Public Works & Transportation) 6/9/76.
Approved by Senate (Public Works) 8/23/78.
Approved for Operations 9/19/78.
Estimated completion date—1990.
Project purposes include watershed protection, flood prevention, and recreation.
Project measures include conservation land treatment, 19 floodwater retarding structures, and 1 multiple-purpose structure with associated recreational facilities.
Missouri expects to start construction on site D–3 with a clearing contract in March and to let a contract for the remaining work on site D–3 later this year.

MISSISSIPPI COUNTY SPILLWAY PROJECT

This project is in the planning process and is being coordinated with the Corps of Engineers Memphis District Office.
The project is for an area of about 100,000 acres and is strictly for flood prevention and drainage.
This project is dependent on the COE project for an outlet (both gravity and pumping station).
SCS has been meeting with COE with next meeting in March.
SCS expects to complete a watershed plan and EIS early in 1981.

MISSISSIPPI SPILLWAY PROJECT

Mr. BURLISON. How far along is the Mississippi County spillway project?

Mr. BERG. It is in the planning process and being coordinated with the Corps of Engineers Memphis district office. The project is for an

area of about 100,000 acres, strictly for flood prevention. The project is dependent on a Corps of Engineers project for an outlet, both gravity and pump station. We are expecting to meet with—

Mr. BURLISON. This is in conjunction, I believe, with the St. John's Corps of Engineers program?

Mr. BERG. Yes, probably it is. We will check that for certain.

We are meeting with the corps this month. We expect to complete a plan and the environmental impact statement early in 1981.

Mr. BURLISON. It is good to hear that that is moving along. I think that it has really moved along a little further than I had suspected at this point. I am glad that you are meeting with the Corps of Engineers soon to plan further on it.

As I mentioned, I would like for you to put in the record what you project from these 1981 funds for these projects: the Foursche Creek; Upper and Lower Little Black; and the Mississippi County spillway.

Mr. BERG. Yes, sir. We will do that.

RC&D CUTBACK

Mr. BURLISON. With respect to RC&D, this is another one where you are projecting a cutback. However, I believe the money for 1981 is not cut back from 1980; is it?

Dr. CUTLER. It is increased, Mr. Chairman, by $2.5 million.

Mr. BURLISON. With the further proposal to phase it out at the end of 1982?

Dr. CUTLER. That is correct.

Mr. BURLISON. There are a couple of those programs in Missouri's Tenth District. The local people seem to find those programs popular. This subcommittee seems to find them popular and seems to be rather adamant on restoring the program each year.

Why do you keep coming back against a stone wall?

Mr. BERG. I think, Mr. Burlison, that Dr. Cutler pointed out in his opening statement some of the possibilities that can exist here in terms of looking at the 12 new planning authorizations. These we have put into motion over the past two fiscal years. They will give us some new insight into this activity. Also GAO has, at the request of the Congress from this year's appropriation, set in motion a study of this activity.

Perhaps Dr. Cutler could amplify briefly on the tie to what we see as a further thrust in rural development and small community activities.

RURAL DEVELOPMENT THRUST

Dr. CUTLER. Mr. Burlison, we began this phaseout attitude toward RC&D in 1977, when our budget and evaluation staff found that all of the economic evaluations of the RC&D program up to that point showed little visible signs of increased economic well-being in communities that had RC&D programs contrasted with communities that did not.

One could ask the question: is that the appropriate way to attempt to evaluate the RC&D effect? It may not be. But the fact is the evaluations appeared to be negative and the question was raised at that time: should we continue to put money into this program the way it is currently being operated?

RC&D TASK FORCE

Our response within my shop was to set up a task force cochaired by Dave Unger and Alex Mercure's Deputy, Singletary. They went out into the country. They held public hearings. They produced a report of the task force on USDA's Resource Conservation and Development Program.

This task force report proposes some reforms in the RC&D program, more sharp targeting of the program to communities that have unemployment or underemployment problems, and programs to improve the well-being of disadvantaged communities of one kind or another. It appeared to be becoming a wall-to-wall program nationwide. It was not originally intended to be that.

What this task force report does is: pull it back and let's sharpen the focus; let's target on particular societal needs; maybe have fewer RC&Ds but do the job well within the fewer number of RC&D areas.

SMALL COMMUNITY AND RURAL DEVELOPMENT POLICY

Now, major reforms are being adopted by the Soil Conservation Service as we can put them into place. Now a new initiative taken by the Carter Administration—you have probably seen this booklet, Small Community and Rural Development Policy. This is a porject spearheaded by Jack Watson in the White House. Alex Mercure, the Assistant Secretary of Agriculture for Rural Development, cochairs the working group on this with Watson.

We are looking at this rural development initiative program as a possible way to use the RC&D mechanism to deliver these rural development assistance programs. We have talked to Watson and his staff about not reinventing the wheel. The RC&Ds are out there on the ground; they do not need to come up with another mechanism to get assistance to rural communities. Why not use RC&Ds?

Our efforts in exploring this with this Small Community and Rural Development Policy Working Group have just begun. But this effort, combined with a GAO audit, ought to give us some alternative ways to use the RC&D program in the future that may give us a basis for another fiscal year of recommending something other than its phaseout.

I cannot say for sure that will happen, but it may.

Mr. BURLISON. I see perhaps a continuation of a trend. Your proposal here is a trend that we have seen, more or less, across the board in the Department that some have been worried about and concerned about. That is moving over into the human welfare—maybe welfare is as good a term as any to express it—vis-a-vis the interest of producing farmers. I have the feeling that the same argument could be made with respect to the direction that you may be going here. I am not familiar enough with the details to arrive at a conclusion on that as yet.

Mr. BERG. If I could for the record, I would like to put in what I have given as guidance for this fiscal year based on the action that was initially agreed to by the Congress and the administration as to what we needed to do.

The present year has provided the most funding we have had for RC&D in all of our lifetime.

Mr. BURLISON. You mean fiscal year 1980?

Mr. BERG. Fiscal year 1980.

And the proposal for 1981 is a continuation at a slightly higher level.

Mr. BURLISON. Because of the adamant action of this subcommittee.

Mr. BERG. That could very well be.

The point is that we have taken the guidance that has been given mutually here and provided that throughout the country. I think at the local level, at the RC&D level, for instance, in Big Springs and Bootheel, that people are going to respond in that way.

BIG SPRINGS AND BOOTHEEL FUNDING

Mr. BURLISON. With respect to those two programs, I believe that in fiscal year 1980, Big Springs received $49,000 and Bootheel $30,000. I do not see how you can do anything with that amount of resources.

Would you put in the record at this point the precise programs that you have carried out with that funding? Would you also put what you project from the 1981 budget?

Mr. BERG. We will provide that for the record, Mr. Burlison.

[The information follows:]

The $79,000 total identified for the Big Springs and Bootheel RC&D Areas is for financial assistance only and was the amount expected to be used in FY 1980. The February 13, 1980, expectation for the two projects is $276,600. Of this amount, $154,000 is programmed for financial assistance.

With the financial assistance, there are three measures in Big Springs now out for bids involving erosion control on three schools. In Bootheel, one measure is scheduled for construction. This is an erosion control measure sponsored by Drainage District No. 8.

In addition to the funds for financial assistance, we will provide an RC&D Coordinator to each area to assist sponsoring conservation districts, towns, counties, and other units of government to advance their activities in the conservation and utilization of the areas' natural resources. Much of the Coordinators' work is done by assisting in carrying out measures and activities involving no direct RC&D funding. By FY 1979, in the two RC&D areas, 58 measures had been completed with financial resources from other than RC&D Program funds.

Three priority levels were established in FY 1979 to be used for program management in 1981. These are:

Level 1: Measures where installation was started prior to October 1, 1978, but for which installation is not complete and additional funds are needed in FY 1980 or later.

Level 2: Planned measures for which sponsors have made significant investments toward installation but on which installation was not started.

Level 3: Planned measures for which relatively little investment of resources toward installation has been made but for which sponsors' interest in installation remains high.

In determining FY 1981 projections, priority levels 1 and 2 were considered Projections for the Bootheel RC&D Area for FY 1981 indicate a need of $75,000 in financial assistance and $6,300 in technical assistance. Projections for the Big Springs RC&D Area did not include any level 1 or 2 measures for FY 1981.

ANNUAL FUNDING

Mr. BURLISON. It is my understanding that the technical assistance river basin and watershed program funds are not allowed to carry over from year to year. Is this correct?

Mr. BERG. Yes. There are three of our six items that are no longer carryover funds. That includes our basic conservation operations activities. They include six of our sub-items and the watershed planning and the river basin investigation survey work.

Mr. BURLISON. Is that new? Or has that always been so?

Mr. BERG. The fiscal year that we have just come from, FY 1979, was the first year that limitation took effect; and this is the second year.

Mr. BURLISON. What brought that about? What legislation brought that about?

Mr. BERG. An action in the Congress that removed that authority in those appropriation items.

Mr. BURLISON. Would you put in the record at this point——

Staff advises that he thought that this was a Senate amendment to our bill.

Would you put in the record at this point precisely the legislation?

Mr. BERG. We would be very pleased to do that. And we——

Mr. BURLISON. And whatever regulations you have promulgated to implement that legislation.

Mr. BERG. We would be pleased to do that and also to point out what effect this has had now that we have had some experience on that sort of an activity.

Mr. BURLISON. Thank you.

[The information follows:]

ANNUAL APPROPRIATION STATUS

Agriculture, Rural Development and Related Agencies Appropriation Act of 1979, Public Law 95–448, changed the conservation operations, watershed planning and river basin surveys and investigations appropriations to annual appropriations by removing "to remain available until expended" from the language. A copy of the relevant portion of the Act is enclosed for the record.

RURAL ELECTRIFICATION ADMINISTRATION

To carry into effect the provisions of the Rural Electrification Act of 1936, as amended (7 U.S.C. 901–950(b)), as follows:

RURAL ELECTRIFICATION AND TELEPHONE REVOLVING FUND LOAN AUTHORIZATIONS

Insured loans pursuant to the authority of section 305 of the Rural Electrification Act of 1936, as amended (7 U.S.C. 935), shall be made as follows: rural electrification loans, not less than $850,000,000, nor more than $1,000,000,000, and rural telephone loans, not less than $250,000,000, to remain available until expended: *Provided*, That loans made pursuant to section 306 of that Act are in addition to these amounts. 7 USC 936.

RURAL TELEPHONE BANK

For the purchase of Class A stock of the Rural Telephone Bank, $30,000,000, to remain available until expended (7 U.S.C. 901–950(b)).

The Rural Telephone Bank is hereby authorized to make such expenditures, within the limits of funds and borrowing authority available to such corporation in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of the Government Corporation Control Act, as amended, as may be necessary in carrying out its authorized programs for the current fiscal year. 31 USC 849.

SALARIES AND EXPENSES

For administrative expenses to carry out the provisions of the Rural Electrification Act of 1936, as amended (7 U.S.C. 901–950(b)), including not to exceed $500 for financial and credit reports, funds for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $150,000 for employment under 5 U.S.C. 3109, $24,805,000.

CONSERVATION

SOIL CONSERVATION SERVICE

CONSERVATION OPERATIONS

For necessary expenses for carrying out the provisions of the Act of April 27, 1935 (16 U.S.C. 590a–590f), including preparation of conservation plans and establishment of measures to conserve soil and water (including farm irrigation and land drainage and such special measures for soil and water management as may be necessary to prevent floods and the siltation of reservoirs and to control agricultural related pollutants); operation of conservation plant material centers; classification and mapping of soil; dissemination of information; purchase and erection or alteration of permanent buildings; and operation and maintenance of aircraft, $255,466,000: *Provided*, That the cost of any permanent building purchased, erected, or as improved, exclusive of the cost of constructing a water supply or sanitary system and connecting the same to any such building and with the exception of buildings acquired in conjunction with land being 16 USC 590e–1.

purchased for other purposes, shall not exceed $5,000, except for one building to be constructed at a cost not to exceed $50,000 and eight buildings to be constructed or improved at a cost not to exceed $30,000 per building and except that alterations or improvements to other existing permanent buildings costing $5,000 or more may be made in any fiscal year in an amount not to exceed $1,000 per building: *Provided further*, That no part of this appropriation shall be available for the construction of any such building on land not owned by the Government: *Provided further*, That no part of this appropriation may be expended for soil and water conservation operations under the Act of April 27, 1935 (16 U.S.C. 590a–590f) in demonstration projects: *Provided further*, That this appropriation shall be available for field employment pursuant to the second sentence of section 706 (a) of the Organic Act of 1944 (7 U.S.C. 2225) and not to exceed $25,000 shall be available for employment under 5 U.S.C. 3109: *Provided further*, That qualified local engineers may be temporarily employed at per diem rates to perform the technical planning work of the Service.

16 USC 590e–2.

RIVER BASIN SURVEYS AND INVESTIGATIONS

For necessary expenses to conduct research, investigations, and surveys of the watersheds of rivers and other waterways, in accordance with section 6 of the Watershed Protection and Flood Prevention Act, approved August 4, 1954, as amended (16 U.S.C. 1006–1009), $16,487,000: *Provided*, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $60,000 shall be available for employment under 5 U.S.C. 3109.

WATERSHED PLANNING

For necessary expenses for small watershed investigations and planning, in accordance with the Watershed Protection and Flood Prevention Act, as amended (16 U.S.C. 1001–1008), $11,847,000: *Provided*, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $50,000 shall be available for employment under 5 U.S.C. 3109.

WATERSHED AND FLOOD PREVENTION OPERATIONS

For necessary expenses to carry out preventive measures, including but not limited to research, engineering operations, methods of cultivation, the growing of vegetation, and changes in use of land, in accordance with the Watershed Protection and Flood Prevention Act, approved August 4, 1954, as amended (16 U.S.C. 1001–1005, 1007–1009), the provisions of the Act of April 27, 1935 (16 U.S.C. 590a–f), and in accordance with the provisions of laws relating to the activities of the Department, $169,607,000 (of which $23,500,000 shall be available for the watersheds authorized under the Flood Control Act, approved June 22, 1936 (33 U.S.C. 701, 16 U.S.C. 1006a), as amended and supplemented): *Provided*, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $10,000,000 shall be available for emergency measures as provided by

Mr. BURLISON. It is my understanding that this does not make for efficient and effective programming.

Mr. BERG. As an administrator, I would much prefer that we had the ability to manage our funds as we had previously.

As I say, I would like to provide for the record how it is actually working and what we foresee in future years.

Mr. BURLISON. I would like for you to do that.

[The information follows:]

SCS REGULATIONS TO IMPLEMENT ANNUAL APPROPRIATION STATUS

Copies of the instructions issued by SCS to shift from a "no-year" to annual appropriation structure and system of accounts were provided to the Committee. The following is a briefing paper on annual and no-year funding.

United States Department of Agriculture
Soil Conservation Service
P.O. Box 2890
Washington, D.C. 20013

March 7, 1980

NATIONAL BULLETIN 53-0- 48

SUBJECT: BUDGET AND FINANCE - BRIEFING PAPER ON ANNUAL AND NO-YEAR FUNDING

Purpose. To provide Soil Conservation Service employees an understanding of annual and no-year funding.

Expiration Date. September 30, 1980.

Questions were raised during our meeting in Houston, Texas, about annual funding of Conservation Operations, Watershed Planning, and River Basin Surveys and Investigations. In order to answer your questions, a background paper and copies of the FY 1979 and FY 1980 budget appendices are enclosed.

In FY 1979 and prior years, the wording "to remain available until expended" was contained in the appropriation language. Such wording was not included in the FY 1980 appropriation language, thereby precluding the use of funds in these three appropriations beyond the end of this fiscal year.

We must improve our program and financial management methods to fully utilize all resources available to accomplish assigned responsibilities. It is essential that we make maximum and priority use of all funds in FY 1980.

VERNE M. BATHURST
Deputy Administrator
for Administration

Enclosures

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UNITED STATES DEPARTMENT OF AGRICULTURE
Soil Conservation Service

Briefing Paper on
Annual and No-Year Funds
In SCS Program Appropriations

Legal Authorities

Whether funds administered by the Soil Conservation Service are available on an annual or no-year basis is determined by each year's appropriation language. FY 1979 and 1980 appropriation language provided that Conservation Operations, Watershed Planning and River Basin Surveys and Investigations funds would be provided on an annual basis.

History

APPROPRIATED FUNDS ARE MANAGED WITHIN THE SERVICE THROUGH A DECENTRALIZED ALLOTTEE SYSTEM.

The allotment structure is a part of the SCS accounting system, as approved by the General Accounting Office. Presently, there are 57 allottee offices responsible for the control of funds under Section 1311 of the Anti-Deficiency Act. SCS administered programs became funded on a no-year basis beginning with the Agriculture and Related Agencies Appropriation Act of 1971, December 22, 1970, (PL 91-561). This authority was removed for Conservation Operations, River Basin Surveys and Investigations, and Watershed Planning by the Agriculture and Related Agencies Appropriation Acts of 1979 and 1980.

THE SERVICE ADMINISTERS A UNIQUE COMBINATION OF NATURAL RESOURCE PROGRAMS THAT ARE INDEPENDENT FOR ACCOUNTING PURPOSES. IN PRACTICE THEY ARE INTERDEPENDENT IN TERMS OF PROGRAM APPLICATION AND IN THE SCHEDULING AND UTILIZATION OF FINANCIAL AND PERSONNEL RESOURCES.

Programs administered by SCS are a mixture of administrative, technical and program functions which also include contracting and cost-sharing through Federal and non-federal means. Daily, individual SCS employees perform duties related to more than one program.

MANY STATE AND LOCAL GOVERNMENTS AND SPONSORING LOCAL ORGANIZATIONS ENTER INTO COOPERATIVE, REIMBURSABLE, AND TRUST FUND ARRANGEMENTS WITH THE SERVICE.

Many of these agreements require SCS to contribute either a fixed sum or percentage of program cost to accomplish a program objective over a period of years. These arrangements seldom provide for increasing the nonfederal share for cost increases resulting from inflation or Federal government action such as pay costs. No-year funds provide some flexibility through the use of unobligated balances to address this situation without diluting current appropriation levels.

SCS PROVIDES TECHNICAL ASSISTANCE TO THE AGRICULTURAL CONSERVATION PROGRAM (ACP), A USDA PROGRAM ADMINISTERED BY THE AGRICULTURAL STABILIZATION CONSERVATION SERVICE.

SCS earns about $8 million annually in servicing this program. However, by agreement we absorb about $12 million annually. Flexibility through the use of carryover funds would enable SCS to handle the absorption with less dilution of current year funds.

OBLIGATIONS DO NOT ALWAYS OCCUR AS PLANNED IN CONTRACTUAL PROGRAMS IN WHICH LOCAL SPONSORS SHARE IN THE PROGRAM RESPONSIBILITY AND EFFECTIVENESS. THE GENEROSITY OF PRIVATE LANDOWNERS PLAY A LARGE ROLE IN THE SUCCESS OF CONSERVATION PROGRAMS.

Months of planning and close coordination leading to the letting of a contract may fall through at the end of the year because all necessary land rights are not available. By the use of carryover funds, we are often able to let the contract in the first weeks of the next fiscal year.

FUNDS FOR EMERGENCY MEASURE OPERATIONS MAY COME THROUGH THE SUPPLEMENTAL PROCESS LATE IN THE FISCAL YEAR.

Supplemental funds received late in one fiscal year are obligated and outlayed in the next fiscal year. Staff to carryout this high priority work is often diverted from other programs causing temporary unobligated balances in those funds. No-year funding authority carries out the intent of Congress in accomplishing the emergency work.

CARRYOVER FUNDS ENABLE SCS TO HAVE ENOUGH CASH FLOW IN THE EARLY WEEKS OF A NEW FISCAL YEAR TO CONTINUE OPERATIONS PENDING PASSAGE OF NEW APPROPRIATIONS OR PASSAGE OF A CONTINUING RESOLUTION.

The following table shows carryover balances for four years through fiscal year 1979. Supplemental appropriations for Emergency Measure Operations disrupted normal field operations and contributed to the size of carryover balances in other SCS program operations.

($ in thousands)

	1976	1977	1978	1979
Total Appropriations	496,844	462,514	604,007	504,473
Total carryover	89,646	53,919	142,046	48,409
Less impoundments	--	--	--	--
Less Emergency Measure Operations	60,897	29,169	95,311	27,603
Less Flood Prev. Opers. (PL-534)	11,225	10,135	12,146	5,842
Net Carryover	17,524	14,615	34,589	14,964
Cons. Operations	(8,732)	(8,247)	(12,652)	(6,415)
W/S Plan	(974)	(1,553)	(1,583)	(566)
River Basin	(1,210)	(1,476)	(2,000)	(846)
Small Watersheds	(5,308)	(2,439)	(17,679)	(5,947)
GPCP	(269)	(188)	(137)	(69)
RC&D	(1,031)	(712)	(538)	(1,121)

SCS: 03-04-80

RURAL LAND OWNED BY FOREIGN INVESTORS

Mr. BURLISON. Your second visual tells us you are steadily losing rural land—including cropland—to a variety of nonfarm uses. What percentage of the purchasers in 1979 were by foreign individuals or companies? In Missouri, what happened?

Dr. CUTLER. As of now, less than 1 percent of the rural land in the United States is owned by foreign individuals or companies. For Missouri the comparable figure is one-tenth of 1 percent, or 41,000 of 40,000,000 acres. Recent information indicates that the proportion of foreign purchasers has been increasing somewhat. A preliminary examination of the data shows that foreign owners are no more likely than domestic owners to convert rural land to nonfarm uses.

Mr. BURLISON. How much will be put into the River Basin planning program?

Mr. BERG. The total proposed budget for River Basin Surveys and Investigations is $17,442,000, of which $12,123,000 is to be used for river basin planning. An additional $607,000 is intended for use in Colorado River Basin Salinity Studies and the balance in Flood Plain Management and interagency coordination and program formulation.

Mr. BURLISON. Do you have an estimate for what will go to Missouri out of these funds? What was the amount in 1979? 1980?

Mr. BERG. In accordance with the proposed 1981 budget, it is proposed that $276,000 will be obligated in 1981 on the Northern Missouri River Tributaries study. In 1980, $300,000 have been allotted for this study and in 1979 about $420,000 were obligated. In FY 1979 some urgently needed inventory work was completed by contracting out, in addition to the normal level of USDA staff work and expenditures. This accounts for the substantially higher expenditure in FY 1979.

1981 BALANCED BUDGET

Mr. BURLISON. Lastly, what do you know about the negotiation that has been going on with respect to the new spending cuts to balance the budget in 1981? Can you give us any edification?

Dr. CUTLER. I do not know very much, but what I do know I cannot tell you. It would not make any sense to tell you what we proposed until the White House has made up its mind what it is going to do. It will have to be a White House announcement.

Mr. BURLISON. Do you have any inside dope or any feel for when the decision might be made on this?

Dr. CUTLER. Steve Dewhurst and I have talked about this. We do not see how it would be physically possible for the White House to produce that recommendation until next week.

Mr. MYERS. Have they not selected March 20th to make that announcement?

Dr. CUTLER. You may have the pipeline.

Mr. BURLISON. Two of our subcommittee members had prepared some questions which I will ask you to answer at this point in the record.

[The questions and responses follow:]

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Public Attitudes on Critical Soil Conservation Practices

Mr. Robinson. You devote the first portion of your testimony outlining the results of a study conducted by the USDA as to the public's attitudes on agricultural issues, including the conservation of soil.

I fail to see the value of such a survey. How much of your budget was spent on this endeavor and how many hours of SCS employees' time was contributed to the study?

In light of the visuals you present and the other available factual information pointing to the problems of soil erosion and cropland damage, what difference does it make what the public at large perceives as the problem?

If the results of your survey had been public apathy or disfavor toward soil conservation practices as funded by the federal government, would you then have recommended the USDA abandon conservation efforts?

It seems to me that the Department should be in the business of helping the farmer solve his problems and not surveying public attitudes on critical soil conservation practices funded through the USDA.

A quick reading of the history of the soil conservation programs makes it more than clear that these programs are and have been an important and necessary endeavor in protecting the heart of our bountiful agricultural production system.

Response. In your question, Mr. Robinson, you remarked that soil conservation programs are and have been an important and necessary endeavor in protecting the heart of our bountiful agriculural production system. We agree wholeheartedly with you. This certainly is basic to U.S. Department of Agriculture policy on conserving soil and water resources.

In the 1930's, the people of this nation felt that conservation was an important and necessary endeavor. "What do the people of the nation think about this today?" This is what we had asked ourselves last year. A half-century after the 1930's, we were not sure what the public knew or what their opinions were regarding soil and water conservation. We felt we knew what the farmers thought, but what about the rest of the people?

That is why USDA contracted to have the survey conducted. We needed a reading, for policymaking purposes, on what the total public—not just the agricultural public—knows, feels, and prefers about soil conservation.

We learned that the public does know what soil conservation means. We learned that the public is willing to spend money for conservation. We learned that the public prefers methods that are fair to both the taxpayers and to the farmer. We will take the survey findings into account as we develop conservation programs that will help farmers solve their problems.

If the results of the survey had been unfavorable or had shown apathy, we would have taken that into consideration, too. We would not have recommended that USDA abandon conservation efforts, because this survey was not a referendum. The survey was not a public vote on the future of conservation at USDA. Had the results shown apathy or disfavor, we would have had our work cut out for us—we would have had to do much more explaining to the public about why it is necessary to conserve this resurce. We feel it is important to know what urban and suburban people, as well as rural people, think and know about conservation, because urban and suburban people are affected by soil conservation. Urban and suburban people are affected by USDA agricultural policies, and they help to pay for agricultural programs. The survey contract was in the amount of $323,761, and was subject to the full competitive bid process. One SCS employee served as Government Technical Representative for the contract and led an interagency committee that guided the survey. She spent about 75 percent of her time on the survey for one year.

Rural Abandoned Mine Program

Mr. Robinson. You provided a detailed discussion last year of the Rural Abandoned Mine Program in that the Soil Conservation Service received funds from the Department of the Interior.

How successful has this program been? I would appreciate some examples of the type of projects being carried out and the current status of the projects.

I am particularly interested in the area of Appalachia. You mentioned last year that approximately 69% of the abandoned coal mined lands occur in Appalachia. Are there projects ongoing in Virginia in conjunction with the RAMP?

RESPONSE. The Rural Abandoned Mine Program began operations on October 2, 1978, with the publication of the final program regulations–7 CFR 632. A national interim program manual was issued in December 1978 and program training was provided by the Soil Conservation Service State and field office staffs in 350 counties within 29 States.

Through the program, SCS provides technical and financial assistance to land users to develop and apply 5- to 10-year contracts for the reclamation, conservation, and development of eligible rural abandoned coal-mined lands. Participation is voluntary in that the land users decide whether or not to participate. Financial assistance is provided through cost-share payments.

In January 1979 an information program consisting of a narrated slide set, program brochures, and a press package was distributed to all SCS State Offices for use in obtaining program applications-signups. RAMP received extensive press and television coverage in the applicable States during this period. This effort resulted in a total of 2,533 applications for program assistance covering an estimated 100,000 acres being filed. Applications were received in 21 of the 29 States. Of this total, 497 were classified as extreme danger or priority I; 815 as adversely affecting public health and safety or priority II; and 1,221 as adversely affecting the environment or priority III. Approximately 300 of the high priority applications have been screened by the State reclamation committees which include the Office of Surface Mining and are scheduled for planning. In addition, an estimated 30 applications were referred to OSM and/or the State reclamation agency for funding under the extreme danger emergency provision of the law. Over 65% of these applications were from the Appalachian States. Virginia has 11 applications. Excellent program cooperation and coordination between members of OSM and SCS and the State reclamation committees have been reported by all States.

A total of 63 long-term 5- to 10-year contracts were signed by SCS in 13 States during the period June to September 1979. These contracts obligated a total of 6.8 million dollars. Thirty-seven of these contracts were in Appalachia. Installation of the planned reclamation treatment was started in the fall of 1979. The work will begin on the balance of the contracts by the spring of 1980. The planned treatment has been completed to date on 5 sites.

An example of the type of reclamation involved is described in a news release supplied for the record. Virginia has no contracts to date but is in the process of preparing a reclamation plan for contract. The site is an abandoned gob pile near Dante, Virginia.

Program participation and accomplishments in terms of signed contracts have been delayed because of the uncertainties of the tax status of the Federal cost-share payments under the program. The Revenue Code of 1978—Public Law 95–600—authorized the Secretaries of the U.S. Department of Agriculture and Treasury to develop a process whereby certain payments could be excluded from gross income for Federal tax purposes. This amendment to the Revenue Code of 1954 went into effect October 1, 1979. However, to date final regulations have not been published and the tax status is still unclear.

Funding for RAMP is provided by reclamation fees, paid by active mine operations, of 10 to 35 cents per ton of coal produced. The fees are deposited into an Abandoned Mine Reclamation Fund administered by OSM, U.S. Department of the Interior. Congress appropriates money from the fund annually to OSM and OSM may transfer up to 20 percent of this appropriation to SCS for RAMP operations.

BARBUOR COUNTY COMMUNITY EXECUTES FIRST RAMP CONTRACT

The Town of Junior, Barbour County, executed the first contract in the nation under the new Rural Abandoned Mine Program (RAMP) this week in the office of Senate Majority Leader Robert C. Byrd, D-W.Va.

Both Sen. Byrd and Sen. Jennings Randolph, D-W.Va., were present for the signing. U.S. Rep. Harley O. Staggers, also D-W.Va., was represented by his aide, Philip Jordan. Secrteary of Agriculture Bob Bergland also attended.

Junior is located on U.S. 250 between Philippi and Elkins. The Barbour County community of 500 residents will close off four deep mine openings near a recreation area that is located along the highway.

In 21 states, landowners have applied to have the U.S. Soil Conservation Service (SCS) help them reclaim rural, abandoned mine lands. In each state, the lands have been divided into three priority groups.

The top priority group—including the site at Junior—will be reclaimed to protect the public health, safety, general welfare and property from extreme danger. Besides the four mine openings adjacent to a playing field and near homes, the Junior site has a highway that will be elimintaed and abandoned mining equipment that will be removed.

The 14-acre site includes approximately eight acres of abandoned coal lands leased to the Town of Junior during the prior of the RAMP contract, for the next five years. A large pile of mine refuse will be smoothed and covered with soil so part of the land may be used for recreation and the rest as hayland.

The SCS is paying the total cost of the reclamation. $112,166 for this year to get the initial work done and $419 in each of the next two years to assure establishment of vegetation.

The town's attorney, Robert G. Durnal, signed the contract on behalf of Mayor Leon Stevenson. Also signing was Charles Hillyard, a property owner who leased part of the land to the town.

R. M. Davis, national administrator of the SCS, signed representing the U.S. Department of Agriculture, which has responsibility for RAMP. Two SCS leaders from West Virginia attended the signing, Assistant State Conservationist George C. Norris of Morgantown and Acting Area Conservationist Maurice Allman of Philippi.

Also attending was Billy B. Burke, state executive director of the U.S. Agricutural Stabilization and Conservation Service (ASCS), in his capacity as a member of the West Virginia State Reclamation Committee. That committee is advising SCS and RAMP priorities and helping coordinate the program with other federal and state mine reclamation efforts.

Proposed Program Reductions

Mr. Traxler. Secretary Cutler, I want to say that I am very pleased to see the number of increases that you have in your fiscal 1981 budget. Of course, we still have our continuing problem of a difference of opinion on whether or not we should fund new project starts in various SCS programs, but I am sure that the Subcommittee will review that matter in great detail. I am concerned, however, about the proposed reduction of 460 personnel during FY 81. I was just advised this week by the Michigan State SCS Director that he would have to close thirteen offices over the next three years because of problems of inadequate funds and employment restrictions. Can you give me a description of how you expect these employment reductions to impact on the operation of the various States?

Response. The proposed employment reduction of 460 permanent full time employees is tied to program reductions proposed for conservation operations technical assistance, watershed planning, small watershed operations under Public Law 566, and resource conservation and development. These reductions can be achieved through attrition. About 114 of these would come from the ranks of about 8,000 employees now financed by conservation operations technical assistance. About 125 would be project coordinators and secretarial staff in the phase-out of the RC&D program by Fiscal Year 1982. About 121 would be employees now assigned to watershed planning staffs. The balance would be employees assigned to small watershed operations to handle new construction starts. We cannot specifically isolate the locations for these reductions until, for example, we complete current operations appraisals for watershed planning workload potential. For each program, reductions would be taken from the lowest priority work situations.

Increase of Costs in Conservation Programs

Mr. Traxler. I have also heard that funding increases have not been sufficient to keep up with the higher costs of conservation programs. What are your observations on this matter?

Response. Funding increases have generally been sufficient to keep up with the higher costs of all conservation programs. For example, there has been a real growth of about 50 percent since FY 1970 in the Resource Conservation and Development Program as additional project areas have been authorized for operation.

In other areas such as conservation technical assistance, soil surveys, snow survey and waterforecasting, and plant materials centers, funding has kept pace

with higher costs but there has been little real growth in terms of increased dollars available for this work.

However, in the water resources area we have experienced a loss in terms of actual buying power in the last ten years primarily because of the rapid rise in water project construction costs, estimated at about 251 percent since 1970.

Increase of Non-Federal Contributions to Conservation Programs

Mr. Traxler. Mr. Berg, you claim that State and local governments and the private sector will provide more conservation work in the future. What is the basis of your belief?

Response. In the five year period from 1975 to 1979, non-federal contributions in funds and services to conservation programs have increased from $85 million to $140 million. Our belief for the future is based on this trend.

Mr. Traxler. Does this increased effort mean that you will be attempting to justify reducing Federal cost share assistance in many of these projects?

Response. Not necessarily. It does mean, however, that the shouldering of responsibility for conservation work done by the non-federal sector permits SCS to shift technical resources to high priority conservation work which might otherwise be delayed or postponed indefinitely. Current benefactors of targeting resources to conservation problems include small farms, agricultural waste, water quality, indians, critical erosion and prime farmland.

Status of Soil Surveys for Each Michigan County

Mr. Traxler. Could you provide for the record, a list showing soil surveys completed, underway, and proposed for each Michigan county.

Response. The following soil survey areas have been completed and published: Antrim County, Arenoc County, Bay County, Charlevoix County, Claire County, Clinton County, Delta County and Hiwatha National Forest of Alger and Schoolcraft Counties, Eaton County, Emmet County, Genesee County, Gladwin County, Grand Traverse County, Gratiot County, Ingham County, Ionia County, Kalamazoo County, Lapeer County, Leenana County, Lenawee County, Livingston County, Macomb County, Midland County, Montcalm County, Muskegan County, Osceola County, Ottawa County, Sanilac County, Shiwassee County, St. Clair County, Washtenaw County, and Wayne County area.

The following soil survey areas have been completed and are in the process of publication: Berrien County, Huron County, Jackson County, Monroe County, and Oakland County.

The following soil survey areas are progressively underway at this time: Allegan County, Baraga County, Branch County, Isabella County, Kent County, Lake and Wexford Counties, Mecosta County, Menominee County, Missaukee County, St. Joseph County, Tuscola County, and Van Buren County.

Priority has been set on the following 12 counties which are scheduled to begin within the next four years: Alpena County, Cheboygan County, Chippewa County, Dickinson County, Hillsdale County, Houghton County, Kalkaska County, Marquette County, Mason County, Ogemaw County, Otsego County, and Roscommon County.

Priority has not been set yet for the remaining 18 soil survey areas.

Transfer of Plant Material Centers Functions

Mr. Traxler. Could you also elaborate on your thoughts of transferring plant materials functions to nonfederal sources? What conversations have you had with these sources? What has been the response? Have any of these functions been transferred?

Response. To date no adjustments have been made in the financing staffing, or management of the SCS PMC's program. Before any final decisions can be made regarding the future of PMC's, the public is being asked to participate in identifying any viable options to improve or strengthen the Federal, State, and local responsibilities in conducting this program. SCS will complete this study by May 1, 1980, and report any viable options for improving this program to the Department at that time. If there are viable alternatives for improving or strengthening the Federal, State, and local involvement in the operations of these centers, the Department will notify the Congress before implementing any changes in this program.

Proposed Increase in RC&D Programs

Mr. Traxler. I plan to support your proposed increases in the RC&D Program. Can you tell me what is the status of the various RC&D projects in Michigan?

Response. There are four authorized RC&D areas in Michigan (Northwest Michigan, Upper Peninsula, Huron Pines and Saul Trails) which includes 39 counties and cover about 19.2 million acres. There are no applications pending for additional authorized RC&D areas. Progress reported as of September 30, 1979, is:

RC & D area	Measures to implement RC & D area plans				
	Financially assisted			Associated	
	Adopted	Planned	Completed	Adopted	Completed
Northwest Michigan	110	62	45	598	318
Upper Peninsula	185	30	22	193	85
Huron Pines	82	17	9	75	30
Sauk Trails	24	8	4	7	2
Total	401	117	80	873	435

The national average for RC&D areas in measures completed is 8.5 with financial assistance and 77.4 without financial assistance. Michigan overall is above the national average.

RC&D financially assisted measures being installed as of September 30, 1979, for each RC&D area follows:

RC&D Area:	*Being installed*
Northwest Michigan	3
Upper Peninsula	3
Huron Pines	1
Sauk Trails	1
Total	8

Funding Provided to States

Mr. Traxler. Could you provide for the record the basic funding provided to each State since fiscal year 1976 for each fiscal year, and a table expressing that amount for each State during that time period in FY '76 dollars?

SCS Allotments to States: 1976–1980

Response. The folowing table shows the actual fund allotments to the States for fiscal years 1976 through 1980 including all programs administered by the Soil Conservation Service.

It should be noted that the adjustment of the 1980 allotments to 1976 dollars is based on an inflation rate of 134.9 percent over the five-year period. This is the weighted average of a 132.7 percent increase in Federal personnel costs and a 137.2 percent increase in other support costs according to the Government Purchases Index. While this is not a precise analysis of the impact of inflation for each individual program and State, it does provide a general trend of actual funding over the past five years. In addition, it should be noted that fund allotments will fluctuate significantly from year to year for construction programs such as PL–566 and PF–534 projects, and Emergency Watershed Protection work according to actual workload requirements.

SOIL CONSERVATION SERVICE—ANALYSIS OF ALLOTMENTS BY STATE, FISCAL YEARS 1976–80

[In thousands of dollars]

State	Actual allotment of funds (fiscal years)					Fiscal yea allotment i- 1976 dollar
	1976	1977	1978	1979	1980	
Alabama	10, 519	9, 256	8, 155	11, 775	8, 642	6, 406
Alaska	764	1, 382	2, 033	2, 586	1, 826	1, 354
Arizona	3, 827	7, 374	6, 126	15, 405	18, 622	13, 804
Arkansas	17, 195	11, 043	13, 650	10, 840	11, 265	8, 351
California	16, 166	19, 977	30, 678	71, 720	17, 141	12, 707
Colorado	10, 256	10, 547	12, 341	10, 899	13, 377	9, 916
Connecticut	2, 883	2, 106	2, 505	2, 121	1, 730	1, 282
Delaware	1, 395	1, 406	1, 748	1, 942	1, 719	1, 274
Florida	4, 878	5, 597	5, 411	7, 099	6, 368	4, 721
Georgia	10, 772	13, 790	15, 868	10, 268	10, 517	7, 796
Hawaii	1, 854	2, 159	1, 817	3, 339	2, 280	1, 690
Idaho	7, 557	8, 069	10, 743	5, 925	5, 504	4, 080
Illinois	9, 684	13, 841	11, 505	16, 984	10, 031	7, 436
Indiana	8, 015	10, 237	9, 051	8, 382	8, 877	6, 581
Iowa	12, 083	15, 765	13, 751	13, 204	13, 259	9, 829
Kansas	15, 094	15, 520	18, 180	15, 188	16, 721	12, 395
Kentucky	15, 551	8, 113	8, 010	10, 380	9, 412	6, 977
Louisiana	9, 869	8, 540	10, 345	11, 605	9, 718	7, 204
Maine	2, 296	2, 429	2, 486	2, 374	2, 650	1, 964
Maryland	2, 984	2, 936	3, 846	3, 267	3, 036	2, 251
Massachusetts	2, 403	2, 403	3, 833	3, 413	2, 806	2, 080
Michigan	5, 581	6, 690	6, 432	6, 324	7, 255	5, 378
Minnesota	9, 916	9, 537	7, 828	10, 970	8, 986	6, 661
Mississippi	24, 332	29, 024	24, 586	29, 397	21, 128	15, 662
Missouri	8, 455	8, 857	9, 349	9, 716	9, 076	6, 728
Montana	19, 025	14, 844	9, 904	7, 490	7, 436	5, 512
Nebraska	10, 886	12, 944	12, 912	12, 587	12, 480	9, 251
Nevada	2, 157	2, 121	2, 252	2, 366	2, 034	1, 508
New Hampshire	2, 119	1, 760	3, 072	1, 635	1, 712	1, 269
New Jersey	3, 933	2, 753	4, 065	5, 102	5, 569	4, 128
New Mexico	7, 632	7, 886	8, 785	9, 192	16, 939	12, 557
New York	11, 215	10, 681	7, 650	8, 390	8, 158	6, 048
North Carolina	8, 083	7, 300	11, 157	9, 692	11, 644	8, 632
North Dakota	8, 913	10, 042	8, 212	8, 388	6, 689	4, 959
Ohio	8, 311	8, 749	9, 132	9, 133	8, 951	6, 635
Oklahoma	20, 325	23, 390	23, 989	23, 408	22, 487	16, 670
Oregon	9, 331	6, 421	6, 958	13, 167	8, 009	5, 937
Pennsylvania	12, 094	14, 077	20, 657	10, 749	9, 214	6, 830
Puerto Rico	1, 553	2, 458	2, 421	4, 204	3, 265	2, 420
Rhode Island	411	371	480	440	512	380
South Carolina	5, 329	5, 975	6, 437	6, 885	6, 665	4, 941
South Dakota	6, 574	6, 873	7, 347	6, 591	6, 791	5, 034
Tennessee	15, 565	18, 444	10, 429	16, 521	11, 418	8, 464
Texas	39, 578	47, 751	52, 393	61, 002	42, 488	31, 496
Utah	6, 616	5, 520	6, 290	5, 658	4, 493	3, 331
Vermont	1, 584	2, 141	1, 851	1, 873	2, 016	1, 494
Virginia	8, 588	8, 002	7, 599	8, 192	6, 975	5, 171
Washington	6, 584	11, 629	8, 521	11, 609	10, 833	8, 031
West Virginia	10, 517	9, 596	9, 009	9, 883	11, 241	8, 333
Wisconsin	6, 694	6, 241	7, 760	7, 694	5, 851	4, 337
Wyoming	5, 336	5, 601	5, 569	6, 237	5, 378	3, 987
Total allotments to States	453, 282	480, 168	495, 128	563, 211	461, 194	341, 882

Mr. BURLISON. Are there any further questions?

I believe that is all I have. Thank you very much, gentlemen.

The subcommittee will be in adjournment until tomorrow morning at ten o'clock.

[The prepared statements, RCA survey materials, and explanatory notes follow:]

For Release Only by the
House Committee on
Appropriations

SOIL CONSERVATION SERVICE

Statement of Dr. M. Rupert Cutler, Assistant Secretary for Natural Resources and Environment, U.S. Department of Agriculture, before the House Subcommittee on Agriculture, Rural Development and Related Agencies.

Mr. Chairman, and members of the Committee, I am pleased to be here today to discuss the President's 1981 budget request for the Soil Conservation Service. Norm Berg, Administrator of the Soil Conservation Service, is here with me. He has appeared before this committee many times over the years, but this is his first appearance as Administrator of the Service. He will present a brief prepared statement and help me respond to your questions. Dave Unger is also here today in his new role of Associate Administrator. He brings many years of conservation experience to his new position.

Mr. Chairman as part of the resource appraisal work underway as authorized by the Soil and Water Resources Conservation Act of 1977 (RCA), we recently completed a national survey of the public's attitudes on several major agricultural issues, including the conservation of soil, water, and related resources. The American people share your deep concern about the need for soil and water conservation to protect our lands from floods and erosion and to save our good farmland for growing crops to feed a growing population. Some of the survey's major findings are:

More than eight of ten Americans believe conservation is important for the country.

Fifty-three percent consider the loss of good farmland a serious problem.

People believe conservation is a joint public and private responsibility and feel the burden should be shared fairly between the government and farmer or other landowner.

By a seven to one margin, Americans accept Federal action to protect farmland from erosion as a proper role for government.

Americans support the concept of small, family farms and Federal policies aimed at preserving and increasing them.

The public consistently indicated a preference for allocating a greater share of soil and water resources to agriculture--specifically food production--rather than to competing uses like housing, industry, energy, and recreation.

We are encouraged by this evidence of broad public support for conservation, for the soil and water problems that confront us today are both serious and demanding. I would like to call your attention to five visuals that focus on five of these critical resource problems.

The first shows those locations where wind and water erosion are greater than 5 tons per acre per year. One dot on the map is equal to 30,000 acres. A total of 241 million acres--and that includes cropland, pastureland, rangeland, and forest land--suffered this excessive damage in 1977. That is the year when SCS made its National Resource Inventories.

The second visual makes the point that we are steadily losing rural land--including some of our best cropland--to a variety of nonfarm uses: for housing developments and shopping centers, highways and airports, and lakes and reservoirs. As a practical matter, this loss is irreversible; when acres are paved over, they are rarely returned to farming.

The third visual shows that we are losing too much property to upstream flood damage. In 1975, damages had already reached $1 billion per year in terms of 1967 dollars. By the year 2000, we project annual losses of $1.4 billion.

The fourth visual shows five of the ways in which we are damaging water quality through nonpoint source pollution. They include pollution from bacteria, pesticides, nutrients, dissolved solids, and suspended solids. Agriculture continues to be the most widespread cause of nonpoint source pollution.

The fifth and final visual tells the story of our continuing loss of wetlands. In the 23 years between 1954 and 1977, the Nation lost 11.5 million acres of wetlands, or about 14 percent of our total supply. This works out to an average of 500,000 acres per year. Although this has dropped in recent years to 300,000 acres, even this is insupportable.

These and other land and water problems are of deep concern to us in the Department of Agriculture and we are presently examining various alternatives for solving them. The present form of soil and water conservation programs in this country had its roots in the 1930's. The pattern established then--a flexible program based on the voluntary cooperation of land users and a mixture of Federal, State, and local activities--has changed little for more than 40 years. As you know, much has been accomplished with this approach to the conservation job. However, in view of increasing demands being placed on our basic natural resources, the Congress decided in 1977 to seek a fresh look at present

conditions and the future of soil and water conservation. Thus, the Soil and Water Resources Conservation Act, known as the RCA, was enacted.

SCS has the leadership for the RCA process, working under the guidance of an interagency committee representing all of the concerned agencies in the Department. Draft documents have been made available for public review containing the following:

An appraisal of the current status and trends concerning the Nation's soil and related resources on nonfederal lands.

Specific conservation objectives for soil resources quantity and quality, water quality, water conservation and supply, fish and wildlife habitat, upstream flood prevention, energy conservation and supply, and related natural resources.

Alternative strategies for organizing and delivering conservation programs.

Over the next several months, we will be analyzing the public response to the information and proposals in these documents. The Department will then prepare a final soil and water conservation program for transmittal by the President to Congress.

It is in this general context that we present the 1981 budget for the SCS. It proposes to continue most activities at about the 1980 level. It addresses and puts emphasis on solving conservation problems related to critical erosion and sediment reduction, water quality and supply, protection and restoration of prime farmlands, and the use of nonstructural alternatives for reducing flooding in the upstream watersheds.

It fully recognizes the need for strong participation by local conservation districts, State soil conservation agencies, and other agencies and organizations involved in the overall conservation program. The Department's information gathering and analysis effort will be enhanced to ensure that reliable and current data are used in updating the 1980 RCA appraisal and program reports, and for the 1985 appraisal.

The 1980 experimental Rural Clean Water Program will be administered by the Agricultural Stabilization and Conservation Service in addition to the ACP. The SCS will furnish technical assistance in servicing clean water program contracts with landowners.

Studies are currently underway for the SCS Plant Materials and Snow Survey and Water Forecasting activities. These studies, which will be completed in 1980, will determine if practical alternatives exist for operating and financing the Snow Survey and the Plant Materials Centers. Congress will be notified of pending decisions within the Department pertaining to these programs.

The 1981 budget proposes continuation of the Great Plains Conservation Program in its present form at the 1980 level, including the signing of about 1,000 new contracts in drought prone areas of the 10 Great Plains States. Legislation to extend the program beyond the current December 31, 1981, expiration date is included in the Department's 1981 legislative program.

No new planning starts are proposed for Watershed Planning. This will permit us to better align the planning effort with construction and to complete the current appraisal of Watershed Planning workload potential during fiscal year 1980. Consistent with the Administration's governmentwide

policy for water resources construction projects, we are not proposing any new construction starts in small watershed projects at this time, pending action by Congress on the Administration's legislative proposal requiring independent review of Federal water project plans by the Water Resource Council.

Six new RC&D areas have been authorized for fiscal year 1980. This is consistent with the Appropriation Act and Congressional intent. We will continue to provide RC&D coordination and assistance in planning and installing RC&D measures to sponsors in 1980, and carry out the program in full accord with Congressional direction. We will place emphasis on installing RC&D measures where planning assistance was furnished in prior years. The 1981 Budget proposes no new area authorizations and continues the policy to phase out the program by the end of 1982.

We believe this is a sound and realistic budget which will enable us to continue the excellent work of the Soil Conservation Service as we develop, for your consideration, new approaches that may prove even more effective in meeting the Nation's soil and water conservation needs.

Mr. Chairman, that concludes my statement. I will be happy to answer any questions.

LOST: Too Much Soil to Erosion

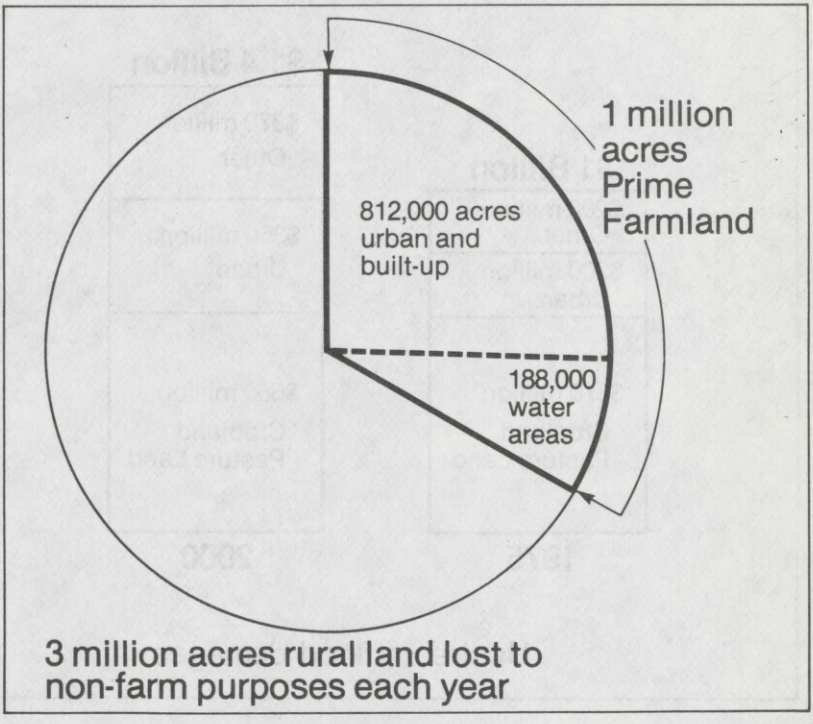
241 million acres with soil losses of over 5 tons an acre yearly



Each dot equals 30,000 acres

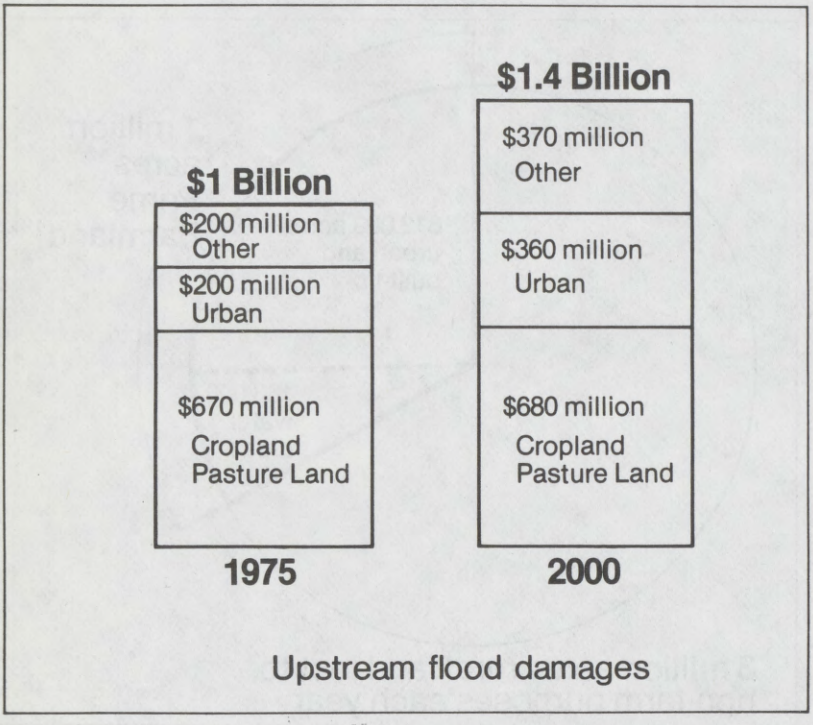
LOST: Too Much Prime Farmland

3 million acres lost to agriculture yearly, of which 1 million is prime farmland



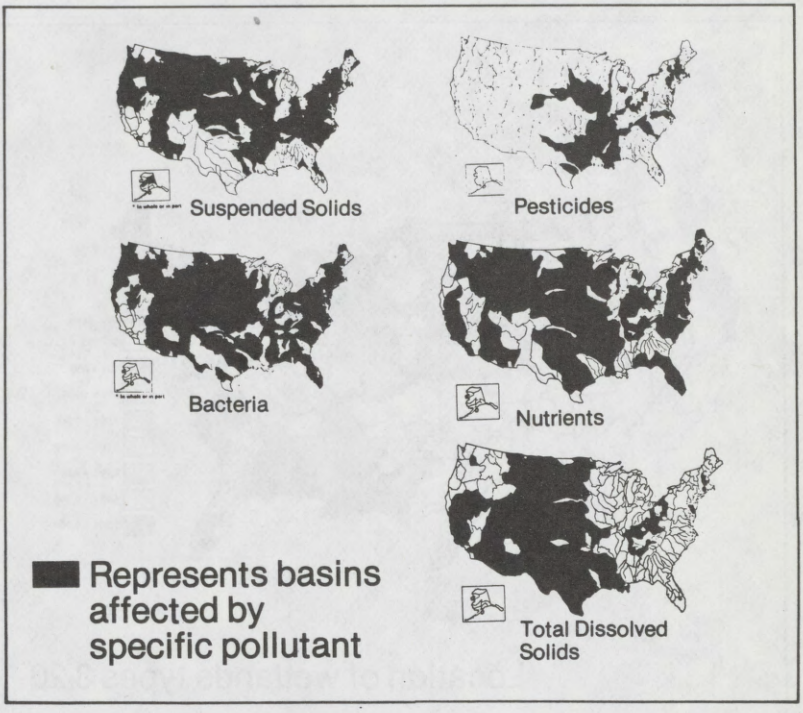
LOST: Too Much Property to Upstream Floods

$1 billion damage in 1975 will rise 40 percent by year 2000



LOST: Too Much Water Quality to Nonpoint Pollution

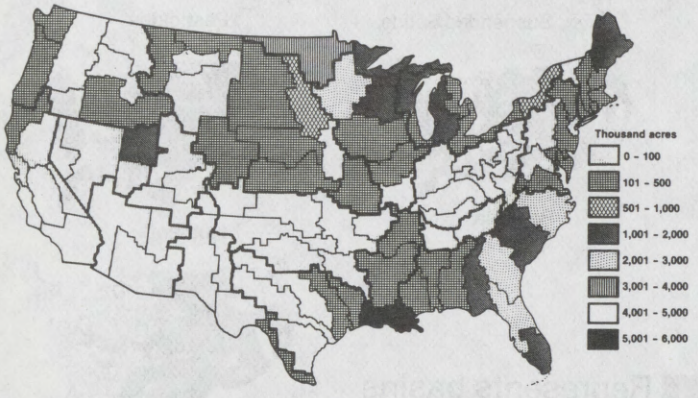
agriculture is a primary cause of nonpoint source pollution



60-240 O - 80 - 42

LOST: Too Many Wetlands

300,000 acres are lost yearly; only 70.5 million acres remain



Location of wetlands types 3-20

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SOIL CONSERVATION SERVICE

Statement of Norman A. Berg, Administrator, Soil Conservation Service, before the House Subcommittee on Agriculture, Rural Development and Related Agencies.

I am pleased to appear before your Subcommittee for the first time as Administrator of the Soil Conservation Service (SCS) to discuss our 1981 Budget Estimate. With me today is Dave Unger, who has succeeded me in my former position of Associate Administrator. Dave has extensive experience in soil and water conservation work, which we in SCS will find extremely helpful.

Before presenting the SCS budget proposal, we would like to thank you for your continued and deep interest in the American farmer and your understanding of the need to protect the Nation's soil and water resources. The budget we present is both realistic and practical. It will hold the line pending the development of the programs under the Soil and Water Resources Conservation Act of 1977 (RCA).

This budget for 1981 will permit SCS to carry out its broad responsibilities for our Nation's soil and water conservation program. We will provide assistance on a national scale to farmers and ranchers, other land users, and units of government. We propose to continue targeting available resources at soil and water conservation problems of national scope. We will continue to treat critical erosion, protect prime agricultural lands, conserve water, and improve water quality.

The total budget proposed for SCS is $535,247,000. It includes a total of $21,988,000 to cover increased operating costs.

CONSERVATION OPERATIONS

The budget proposal includes $283,801,000 for Conservation Operations. This is an increase of $6,726,000 from fiscal year 1980. Six activities are funded under this appropriation as follows:

Conservation Technical Assistance:

The FY 1981 Budget proposes $210,502,000 for Conservation Technical Assistance. This is $1,494,000 more than fiscal year 1980. The additional money will be used to pay for increased operating costs.

For 1981, we must focus our attention and resources on national conservation concerns, including those related to small farmlands, agricultural waste, water quality and supply, Indian lands, critical erosion, prime farmland, and the conversion of cropland to nonagricultural use.

Through Conservation Technical Assistance, we provide the technology that individuals, groups, and units of government need to develop and apply conservation plans and practices to solve resource problems. SCS technical services are provided to these land users through 2,929 conservation districts established and operated under state law.

In fiscal year 1981, SCS will provide technical services to about three-quarters of a million land users consisting of individuals, groups, and units of government. We expect these land users to apply conservation practices to protect about 10 million acres of cropland, 5 million acres of pasture and hayland, 19 million acres of rangeland and native pasture, 2.3 million acres of woodland, 2.7 million acres of wildlife land, 200,000 acres of recreation land, and 300,000 acres of other land. Conservation

practices conserve soil and water, improve water quality, and help develop and maintain our Nation's agricultural productivity. Some practices, such as minimum tillage, also help to reduce the energy used in agriculture. SCS will also continue to provide technical services for conservation activities administered by other agencies including the Agricultural Conservation, Water Bank, and Emergency Conservation programs and a variety of state and local conservation programs.

Many land users are making significant contributions to conserving soil, water, energy, and wildlife. However, more effective Federal, state, and local conservation programs are essential if we are to protect and improve our environment and still maintain food and fiber production. Our fiscal year 1981 budget reflects the fact that the nonfederal sector is assuming greater responsibility for conservation. We expect that state and local governments and the private sector will invest more labor and money to conserve and protect our natural resources in the future.

Inventory and Monitoring:

The budget proposes $16,173,000 for Inventory and Monitoring. This is an increase of $2,976,000 from fiscal year 1980 to be used for the 1981 update of the 1980 RCA appraisal report.

We need to fill gaps in our data to update the 1980 appraisal report. We will use $2 million of the increase for 1981 to monitor about 12,000 primary sample units to support data collection, interpretation and report writing for the 1981 annual evaluation report as required by the Soil and Water Resources Conservation Act of 1977.

We will continue the inventory of the status and condition of the Nation's soil, water, and related resources. The inventory provides data

on land use, soil quality, sheet and rill erosion, conservation treatment needs, prime farmlands, potential for new cropland, flood prone areas, and wetlands and other natural resources.

Soil Survey:

The budget proposes $45,437,000 for Soil Survey. This is an increase of $1,353,000 to offset the growing costs of conducting soil surveys and publishing the results.

SCS provides leadership for the National Cooperative Soil Survey. We collect soil data and make soil maps. We interpret maps and data for a variety of users, and promote the use of this information in the management of soil resources to maximize public benefits. SCS works cooperatively with other Federal agencies, state and local units of government, land grant universities, and others to ensure that uniform standards are applied nationwide.

At the end of fiscal year 1979, soil surveys had been completed on about 1.5 billion acres or 65 percent of the land in the Nation. SCS and cooperators completed field mapping on about 67 million acres in fiscal year 1979. For 1981, we need to maintain the current rate of progress in soil mapping through combined Federal, state, and local efforts.

Soil survey information is used in controlling erosion, planning the use of soil resources to produce food and fiber, and identifying prime farmland. It is also used in efforts to maintain and improve water quality, dispose of solid and liquid waste, assess soil resources for environmental impact statements and reclaim mined lands. Because of these and other applications for soil surveys, many Federal, state, and local agencies cooperate with the SCS and contribute funds and labor to accelerate all

phases of the work. In fiscal year 1979, non-SCS contributions of funds amounted to about $6.5 million. For 1981, we will continue to seek other Federal, state, and local funds to accelerate soil surveys and hope to increase this amount to about $8.5 million.

Snow Survey and Water Supply Forecasting:

The budget proposes $3,396,000 for Snow Survey and Water Supply Forecasting which is $116,000 less than fiscal year 1980. This decrease reflects the high level of automation that has been achieved in this program with the resulting decreasing need for more expensive, manual readings.

In the western states, SCS issues snow survey and water supply forecasts to serve agricultural users of irrigation water and to support planning for power generation and municipal water supplies. In these states, snowfed streams provide more than 70 percent of the water needed for agriculture, industry, municipal use, recreation, fish and wildlife, and other purposes. The measurements of mountain snowpack by SCS and cooperating agencies provide a basis for water-use decisions before the date water is needed. Water supply forecasts are now made for more than 10 million acres of agricultural land. The annual benefit of these forecasts is now more than $40 million in increased agricultural production and reduced farm operating costs.

An automated data collection system called SNOTEL will be 80 percent installed by the end of fiscal year 1980 and will eventually replace much of the manual system used since 1939. We plan to provide our 1981 users with the same number of forecasts as provided in 1980.

We are studying alternatives to manage and finance this activity. This study, which will be completed by the end of fiscal year 1980, reviews alternatives ranging from continuing the present program to transferring the management and/or financing of the program to nonfederal institutions.

Plant Materials Centers:

The budget proposes $2,933,000 for operating 20 Plant Materials Centers. This is an increase of $106,000 from fiscal year 1980 to cover the increased costs of testing, selecting, and releasing plant species for commerical production. We are continuing to explore the desirability of transferring plant materials functions to nonfederal sources.

SCS works to select grasses, legumes, shrubs, and trees that control critically eroding soils. These conservation plants improve water quality and help reduce erosion and sedimentation by stabilizing sand dunes, protecting streambanks and shorelines, revegetating surface-mined lands, and improving windbreaks.

Our Plant Materials Centers are dispersed throughout the United States so that plant testing and development meet the need for conservation plant materials in the various major land resource areas of our Nation. Our work is focused on testing and developing plants to meet multistate needs for species that can effectively reduce erosion and improve water quality.

After testing, SCS releases selected plants to seed growers and nurserymen for commerical production. Since 1943, the centers have released more than 200 different varieties of useful conservation plants. The annual commerical production of these conservation plants equals the amount of plant materials needed to treat over 1.7 million acres of critically eroding lands. SCS released 32 varieties in 1978 and 1979.

Resource Appraisal and Program Development:

The budget proposes $5,360,000 for Resource Appraisal and Program Development. This is $913,000 more than fiscal year 1980. SCS will use the increase to accelerate data collection, and for computer modeling and verification of the conservation assumptions used in the 1980 RCA process.

A wide variety of information was collected and analyzed to develop the draft appraisal and program reports. These reports will help USDA and other Federal, state, and local agencies determine priorities for soil and water conservation and make the necessary decisions to meet those priorities.

A 60-day public review period for draft 1980 RCA reports will be completed by the end of March. Thoughtful responses are already coming in. Public comments will be thoroughly analyzed and will be considered in the preparation of the final reports for consideration by the President and transmittal to the Congress later in the year. This marks the end of the first phase of a process to appraise our soil and water resources and develop a national soil and water conservation program. The draft appraisal report includes data on the status, condition, and trends of soil, water, and related resources and the impact of changing technology on these resources. It also includes an inventory of legislative authorities, alternative irrigation techniques, and a display of costs and benefits of conservation measures.

The program report includes quantitive objectives for seven resource areas including Soil Resources, Water Quality, Water Supply and Conservation, Fish and Wildlife Habitat, Upstream Flood Damages, Energy Conservation and Production and Related Material Resources. It also includes seven proposals for alternative strategies to deliver or implement conservation programs.

RIVER BASIN SURVEYS AND INVESTIGATIONS

The budget proposes an appropriation of $17,442,000 for River Basin Surveys and Investigations. This is an increase of $955,000 from fiscal year 1980 to pay for increased operating costs.

River Basin Surveys and Investigations need to continue focusing on regional concerns. These concerns include water supply and conservation, protection of important farmlands, wetlands, and floodplains, and nonpoint source pollution in rural and agricultural areas. SCS studies provide information for government and private use in making short- and long-range decisions that address these resource concerns.

Our 1981 budget will continue to address these problems and carry out cooperative river basin studies with state and Federal agencies at the fiscal year 1980 level. We propose to initiate eight new cooperative studies in fiscal year 1981. As of September 30, 1979, 83 cooperative surveys were completed and 53 others were underway.

SCS will also continue studies in selected areas to determine how improved onfarm irrigation, water management, and watershed treatment can reduce salinity. The budget provides funds to complete 30 flood hazard studies. SCS will not undertake new HUD flood insurance studies in fiscal year 1981.

WATERSHED PLANNING

The budget includes $6,660,000 for Watershed Planning. This decrease of $4,455,000 from fiscal year 1980 is proposed on the basis of the need to align planning with the construction operations.

For fiscal year 1981, we are not proposing new planning starts. Extensive efforts are underway to determine the scope of watershed needs

on a state-by-state basis. These efforts are providing us with factual data that we will use to consolidate and realign our planning efforts.

At the end of FY 1980, 158 completed plans will be waiting the assignment of construction starts. For fiscal year 1981, SCS is requesting funds to continue planning activities in 134 projects of which we expect to complete 10.

WATERSHED AND FLOOD PREVENTION OPERATIONS

The budget proposes a total appropriation of $172,160,000 for Watershed and Flood Prevention Operations. This is an increase of $4,636,000 from fiscal year 1980. Three activities are funded under this appropriation as follows:

Watershed Operations Authorized by PL-534:

The budget proposes $19,860,000 for the 11 authorized flood prevention projects. SCS will use the increase of the $1,360,000 from fiscal year 1980 primarily to offset the greater cost of construction.

We need to continue progress on the 121 subwatershed projects now in construction and work to complete another five in fiscal year 1981. We also are at the point where we need to plan the future direction of this program. SCS has scheduled a fiscal year 1980 review of all PL-534 projects to identify the remaining workload, to determine those actions and resources required to close out the remaining projects, and to consider the feasibility of combining Public Law 534 and Public Law 566 funding and operations.

During the last 30 years, SCS has completed planned works of improvement and land treatment in 177 of the 398 feasible subwatershed areas within the 11 authorized projects. Two projects have been completed -- the Buffalo Creek Watershed in New York and the Coosa River Watershed in Georgia.

Emergency Watershed Protection Operations:

The budget proposes $10,000,000 for Emergency Watershed Protection Operations, which is the same funding as in fiscal year 1980.

These funds are used to reestablish water conveyance systems and stabilize areas denuded by floods or fire. This prevents future runoff from causing further property damage or human suffering. The availability of these funds has enabled the Secretary of USDA and SCS to respond quickly to reduce threats to life and property suddenly caused by natural disasters.

Executive Order 12044 directed review of the Emergency Program. This review resulted in revised regulations for the program that should reduce the need for future supplemental budget requests.

Small Watersheds Authorized by PL-566:

The Budget proposes $142,300,000 for PL-566 small watershed projects. SCS will use this increase of $3,276,000 from fiscal year 1980 to pay for higher construction costs and to accelerate the completion of ongoing projects.

During the past several years, a significant backlog of partially completed projects has developed. Consistent with the Administration's government-wide policy no new construction starts are proposed at this time for fiscal year 1981 pending Congressional approval of an independent project review authority for the Water Resources Council. We are slightly accelerating the ongoing construction rate and expect to complete 27 projects, including land treatment work, in fiscal year 1980 and 28 projects in fiscal year 1981. This will bring the number of completions to 553 out of 1,272 approved projects. We are reducing the backlog of projects by

obtaining sponsor agreement to deauthorize projects not likely to be constructed. So far 41 projects involving a Federal commitment of $52 million have been eliminated.

SCS is continuing to emphasize accelerated conservation land treatment in approved watersheds. This provides more conservation land treatment in drainage areas behind dams and is a nonstructural alternative to dams and channel modifications.

GREAT PLAINS CONSERVATION PROGRAM

The budget proposes an appropriation of $20,591,000 for the Great Plains Conservation Program. This is an increase of $1,902,000 from fiscal year 1980. The added funds will cover increased operating and construction costs for conservation practices installed under Great Plains contracts.

For many years, the Great Plains region has been plagued with drought and severe wind erosion problems. Tons of agricultural topsoil are lost each year. To help solve these problems, we plan to fund about 1,000 new contracts covering about 3.0 million acres in fiscal year 1981. Also, the conservation practices applied under all existing contracts and contract modifications should adequately protect about 6.0 million acres of agricultural land.

Since 1956, participants in this program have protected about 2.8 million acres from drought and wind erosion by establishing permanent vegetative cover. Farmers and ranchers have received about $216 million in cost-share payments. A total of 108 million acres have been covered through 57,000 cost-share contracts in the Great Plains States. Twelve thousand of these contracts are still active.

RESOURCE CONSERVATION AND DEVELOPMENT

The budget proposes an appropriation of $34,593,000 for the Resource Conservation and Development Program (RC&D). This is $2,593,000 more than in 1980. SCS will use the increase to pay for higher construction costs and to accelerate the completion of RC&D measures.

The 1981 budget requests no new RC&D area authorizations and calls for the program to be phased out by the end of FY 1982. Emphasis will be placed on completing those measures on which work is underway. We will provide coordination and measure planning assistance in fiscal year 1980, in full accordance with Congressional direction, including the six new areas recently authorized.

SUMMARY

The work being performed under the Soil and Water Resources Conservation Act of 1977 has helped the Department and SCS to examine the conservation work accomplished over the last 45 years. We are finding that controlling erosion, maintaining soil productivity, conserving water, reducing flood damages, minimizing air and water pollution and conserving energy are still high priority goals that we must strive for in future conservation programs. Our work under RCA, including public participation activities, has helped us to quantify and qualify the nature and extent of the Nation's resource problems. With an increasing population that places multiple demands upon our Nation's soil, water, and related resources, it is clear that we must use our conservation dollars even more efficiently and effectively. Our Budget for fiscal year 1981 proposes to do this.

Mr. Chairman, that concludes my statement. I will be happy to answer any questions.

UNITED STATES DEPARTMENT OF AGRICULTURE
Soil Conservation Service
Appropriation Changes
(Dollars in Thousands)

Program	1980	(+) Increase (-) Decrease	1981
Conservation Operations:			
1. Technical assistance	$209,008	$ +1,494	$210,502
2. Inventory and monitoring	13,197	+2,976	16,173
3. Soil survey	44,084	+1,353	45,437
4. Snow survey and water forecasting	3,512	-116	3,396
5. Operation of plant materials centers	2,827	+106	2,933
6. Resource appraisal and program development	4,447	+913	5,360
Total, Conservation Operations	277,075	+6,726	283,801
Rural Clean Water Program	- -	- -	- -
River Basin Surveys and Investigations:			
1. USDA cooperative studies	11,245	+1,485	12,730
2. Flood plain management assistance	1,570	+50	1,620
3. Interagency coordination and program formulation	3,672	-580	3,092
Total, River Basin Surveys and Investigations	16,487	+955	17,442
Watershed Planning:			
Watershed planning authorized by PL-566	11,115	-4,455	6,660
Watershed and Flood Prevention Operations:			
1. Watershed operations authorized by PL-534:			
(a) Planning	1,000	+100	1,100
(b) Technical assistance	9,064	+636	9,700
(c) Financial assistance for construction:			
Direct Federal contracting	6,004	+448	6,452
Payment for contracting by local sponsors	2,221	+165	2,386
(d) Loan services	211	+11	222
Subtotal, Flood Prevention	18,500	+1,360	19,860
2. Emergency Watershed Protection Operations	10,000	-0-	10,000
3. Small watersheds authorized by PL-566:			
(a) Technical assistance	48,511	+312	48,823
(b) Financial assistance for construction:			
Direct Federal contracting	44,389	+1,460	45,849
Payment for contracting by local sponsors	45,704	+ 1,504	47,208
(c) Loan services	420	-0-	420
Subtotal, Watershed operations	139,024	+3,276	142,300
Total, Watershed and Flood Prevention Operations	167,524	+4,636	172,160
Great Plains Conservation Program:			
1. Cost-sharing assistance	10,263	+1,200	11,463
2. Cost-share programming and contract administration	2,696	+225	2,921
3. Technical assistance	5,730	+477	6,207
Total, Great Plains Conservation Program	18,689	+1,902	20,591
Resource Conservation and Development:			
1. Technical assistance	16,204	-2,293	13,911
2. Financial assistance	15,486	+4,996	20,482
3. Loan services	310	-110	200
Total, Resource Conservation and Development	32,000	+2,593	34,593
Total, Appropriation	522,890	+12,357	535,247
End-of-Year Ceiling:			
Permanent full-time	13,650	-460	13,190
All other	3,040	-0-	3,040
Total	16,690	-460	16,230

UNITED STATES DEPARTMENT OF AGRICULTURE
Soil Conservation Service

Table 1

National Summary Estimates
Non-Federal Contributions of Funds and Services to
Soil and Water Conservation Districts Program
Fiscal Year 1979

(In Thousands of Dollars)

State	State Government	Local Government	Private Individuals & Organizations	Total
AL	540	768	776	2,084
AK	1,142	12	49	1,203
AZ	400	843	1,009	2,252
AR	2,944	1,688	2,033	6,665
CA	250	5,360	6,905	12,515
CO	168	623	1,290	2,081
CT	784	279	413	1,476
DE	909	1,379	898	3,186
FL	333	1,328	1,221	2,882
GA	1,260	2,764	2,044	6,068
HI	122	478	954	1,554
ID	442	1,481	1,229	3,152
IL	668	1,288	2,202	4,158
IN	1,063	2,173	3,160	6,396
IA	7,623	2,667	2,563	12,853
KS	1,054	1,933	2,208	5,195
KY	3,549	826	849	5,224
LA	4,528	2,292	3,057	9,877
ME	409	1,746	1,437	3,592
MD	597	1,579	2,398	4,574
MA	508	697	220	1,425
MI	1,398	1,078	902	3,378
MN	2,867	2,652	1,258	6,777
MS	773	1,890	1,228	3,891
MO	381	560	1,760	2,701
MT	5,386	1,042	2,071	8,499
NE	2,273	7,842	996	11,111
NV	57	587	489	1,133
NH	2	106	201	309
NJ	385	2,185	857	3,427
NM	581	525	1,617	2,723
NY	310	2,159	1,001	3,470
NC	781	3,872	1,371	6,024
ND	560	1,077	393	2,030
OH	2,084	2,240	2,125	6,449
OK	1,631	2,219	3,784	7,634
OR	534	6,891	1,453	8,878
PA	2,034	1,844	1,520	5,398
RI	34	9	43	86
SC	1,368	1,111	623	3,102
SD	1,4	573	1,025	1,762
TN	607	1,290	988	2,885
TX	1,909	4,876	5,748	12,533
UT	13	296	616	925
VT	94	38	219	351
VA	142	762	408	1,312
WA	240	800	745	1,785
WV	3,056	792	381	4,229
WI	2,551	3,877	1,670	8,098
WY	100	169	475	744
Caribbean	2,990	1,037	2,211	6,238
Other			100	100
TOTAL	64,598	86,603	75,193	226,394

UNITED STATES DEPARTMENT OF AGRICULTURE
Soil Conservation Service

Table 2

National Summary Estimates
Non-Federal Contributions of Funds and Services to
Soil and Water Conservation Districts Program
Fiscal Year 1979

(In Thousands of Dollars)

State	Conservation Practice Design and Layout	Conservation Practice Application	Program Direction & Information	Soil Surveys	Conservation Planning & Technical Programming	Watershed Protection & Flood Prevention Projects	Resource Conservation & Development Projects	All Other	Total
AL	153	369	943	78	193	163	183	2	2,084
AK	3	311	100	83	115	-	-	591	1,203
AZ	389	428	467	29	48	673	201	17	2,252
AR	485	1,796	1,422	77	365	1,910	610	-	6,665
CA	1,545	5,161	1,576	14	623	2,519	633	444	12,515
CO	422	513	521	62	179	179	111	94	2,081
CT	90	134	393	106	139	554	49	11	1,476
DE	113	409	616	-	106	1,576	314	52	3,186
FL	345	178	735	444	114	274	792	-	2,882
GA	879	1,875	1,516	9	517	923	349	-	6,068
HI	51	760	108	66	84	281	192	12	1,554
ID	317	372	534	171	160	165	1,384	49	3,152
IL	634	617	1,314	295	267	516	315	200	4,158
IN	822	1,469	1,694	378	465	1,001	214	353	6,396
IA	1,343	6,261	2,628	704	309	1,470	138	-	12,853
KS	450	591	1,421	19	529	1,758	286	141	5,195
KY	201	2,604	1,339	204	139	465	119	153	5,224
LA	332	1,530	1,606	260	366	5,646	112	25	9,877
ME	193	550	398	280	356	770	1,020	25	3,592
MD	263	3,125	518	4	287	212	12	153	4,574
MA	23	62	134	10	65	593	391	147	1,425
MI	210	301	1,123	493	427	265	559	-	3,378
MN	942	1,421	1,121	584	449	569	291	1,400	6,777
MS	227	879	699	4	131	1,471	399	81	3,891
MO	573	580	889	149	159	201	127	23	2,701
MT	516	4,977	1,378	123	636	246	528	95	8,499
NE	781	1,559	2,252	597	809	3,381	176	1,556	11,111
NV	164	416	372	2	84	3	85	7	1,133
NH	20	122	103	15	24	15	10	-	309
NJ	96	433	899	25	271	1,252	100	351	3,427
NM	252	1,230	544	3	59	419	82	134	2,723
NY	459	1,182	878	86	381	391	93	-	3,470
NC	475	1,018	993	470	265	2,111	158	534	6,024
ND	89	182	590	445	121	555	32	16	2,030
OH	1,735	616	1,855	802	894	319	79	149	6,449
OK	591	1,523	1,340	2	444	2,849	301	584	7,634
OR	416	5,183	575	99	246	85	2,129	145	8,878
PA	258	616	3,308	115	479	500	122	-	5,398
RI	5	10	46	2	14	-	9	-	86
SC	150	661	920	109	167	201	140	754	3,102
SD	112	807	366	287	66	6	40	78	1,762
TN	181	557	706	42	116	863	353	67	2,885
TX	1,345	1,882	3,505	54	997	4,014	736	-	12,533
UT	90	220	208	10	60	226	101	10	925
VT	24	19	134	19	15	13	13	114	351
VA	61	84	441	220	34	383	11	78	1,312
WA	331	289	559	162	129	153	28	134	1,785
WV	46	192	320	31	127	2,173	997	343	4,229
WI	1,256	1,650	1,804	225	1,093	451	124	1,495	8,098
WY	167	180	218	45	31	35	28	40	744
Caribbean	623	4,423	638	-	390	52	84	28	6,238
Other			100						100
TOTAL	21,248	62,327	48,867	8,513	14,544	44,850	15,360	10,685	226,394

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SOIL CONSERVATION SERVICE

Purpose Statement

The Soil Conservation Service (SCS) was established by the Soil Conservation and Domestic Allotment Act, Public Law 75-46, April 27, 1935, (16 U.S.C. 590a-590f). Technical programs are carried out in cooperation with conservation districts and other sponsoring local organizations. SCS assists conservation districts, communities, watershed groups, Federal and State agencies, and other cooperators with erosion control and water management problems and in bringing about needed physical adjustments in land use. The purpose is to conserve soil and water resources, improve agriculture, and reduce damage caused by floods and sedimentation.

The Soil Conservation Service has general responsibility for administration of the following programs of the Department of Agriculture:

Conservation Operations is authorized by Public Law 75-46, (16 U.S.C. 590a-590f). Activities include:

1. Technical assistance to district cooperators and other landowners in the planning and application of conservation treatments to protect the natural resource base.

2. Inventory and monitoring to provide soil, water, and related resource data for land conservation, use, and development, for guidance of community development, for identification of prime agricultural producing areas that should be protected, for use in protecting the quality of the environment, and to issue inventory reports of resource conditions.

3. Soil surveys are made as an inventory of a basic resource and to determine land capabilities and conservation treatment needs. Soil survey publications include interpretations useful to cooperators, other Federal agencies, State, and local organizations.

4. Snow survey water forecasting from basic data collected to provide estimates of annual water availability from high mountain snow packs and relating this to summer stream flow. Information is used by agriculture, industry, and cities in estimating future water supplies.

5. Operation of plant materials centers to assemble, test, and encourage increased use of plant species which show promise for use in conservation problem areas.

6. Resource appraisal and program development to ensure that programs administered by the Secretary of Agriculture for the conservation of soil, water, and related resources shall respond to the Nation's long-term needs. This program is authorized by the Soil and Water Resources Conservation Act, Public Law 95-192, November 18, 1977, (16 U.S.C. 2001).

7. Rural clean water as part of a non-recurring supplemental appropriation passed in September 1978 as authorized by Section 35, Rural Clean Water Act of 1977, Public Law 95-217 (33 U.S.C. 1251, 1228).

River Basin Surveys and Investigations

This program is authorized by the Watershed and Flood Prevention Act, Public Law 83-566, Section 6, August 4, 1954, (16 U.S.C. 1006).

The program involves cooperation with other Federal, State, and local agencies in the conduct of river basin surveys and investigations, flood hazard analysis, and flood plain management assistance in order to aid in the development of coordinated water resource programs, including the development of guiding principles and procedures. SCS represents the Department on the Water Resource Council, River Basin Commissions, and River Basin Interagency Committees for coordination among Federal Departments and States.

Watershed Planning

This activity is carried out under the Watershed and Flood Prevention Act, as amended, Public Law 83-566, August 5, 1954, (16 U.S.C. 1001-1008). The program consists of (a) making preliminary investigations to assess proposed small watershed projects in response to requests made by sponsoring local organizations and (b) assistance to sponsors in the development of watershed work plans. SCS is responsible for development of guiding principles and procedures.

Watershed and Flood Prevention Operations. Activities under this program include:

1. Watershed operations authorized by Public Law 78-534

SCS administers watershed works of improvement authorized by the Flood Control Act of 1944 (33 U.S.C. 701b-1).

Flood prevention operations include planning and installing works of improvement for flood prevention and for the conservation, development, utilization, and disposal of water. This may also include the development of recreational facilities and the improvement of fish and wildlife habitat. Activities are authorized in 11 specific flood prevention projects covering about 11 million acres.

2. Emergency Operations authorized by Section 216, Public Law 81-516, (33 U.S.C. 701b-1) and Sections 403-405, Public Law 95-334, (16 U.S.C. 2203-2205)

Emergency operations provide for the installation of emergency measures for runoff retardation and soil-erosion prevention, in cooperation with landowners and land users, as the Secretary deems necessary to safeguard lives and property from floods, drought, and the products of erosion on any watershed whenever fire, flood, or any other natural occurrence is causing or has caused a sudden impairment of that watershed.

3. Small Watersheds authorized by Public Law 83-566, as amended, (16 U.S.C. 1001-1008)

This program provides for cooperation with local sponsors, State, and other public agencies in the installation of planned works of improvement in approved watershed projects. Such works of improvement reduce erosion, floodwater, and sediment damage. They also further the conservation, development, utilization, and disposal of water, including the development of multipurpose facilities for such uses as recreation, improvement of fish and wildlife habitat, irrigation, and water supply to municipal and industrial users.

Loans are made to local organizations to help finance the local share of the cost of carrying out planned watershed and flood prevention works of improvement. Loans are made on an insured basis from the Agricultural Credit Insurance Fund administered by the Farmers Home Administration.

Great Plains Conservation Program

The Great Plains Conservation Program is authorized by Public Law 84-1021, as amended, (16, U.S.C. 590p (b)). The program's objective is to bring about a long-term solution to problems resulting from drought and the cultivation of land unsuited for sustained crop production in the 10 Great Plain States. Activities include:

1. Cost-shares for installation of permanent conservation practices scheduled under long-term contracts. Cost-share payments vary from 30 to 80 percent of the average costs incurred by program participants for installation of eligible conservation practices. Financial assistance enables cooperators to install conservation practices in the proper sequence as scheduled in their contracts.

2. Technical services of soil and range conservationists, engineers, and other agricultural specialists are provided to help make needed land use adjustments and install sound conservation programs adapted to each farm or ranch in accordance with contract schedules. These services include:

(a) Cost-share programming and contract administration. Technical assistance for processing applications for program participation; development of costs, determining cost-share obligations, preparing contracts, and contract administration to ensure that contract provisions are met. Contracts are based on conservation plans of operations which outline resource management systems by land use.

(b) Technical assistance to help install planned treatment measures. Farmers and ranchers contract to complete their plans of operation as scheduled. Assistance in practice installation is provided when needed for site selection, topographic surveys, detailed designs, practice layout, and certification. Technical assistance is also furnished to help cooperators perform required noncost-shared management features such as planned grazing systems, irrigation water management, and crop residue management on cultivated land.

Resource Conservation and Development Program

Section 102 of the Food and Agriculture Act of 1962 (Public Law 87-703), (16 U.S.C. 1010-1011) provided authority to assist locally sponsored Resource Conservation and Development Projects to conduct programs of land conservation and use in areas where acceleration of present conservation activities are needed and where projects add economic opportunities to the people. Technical assistance and cost-share assistance is furnished to sponsors, local groups, and individuals to plan and complete project measures. Loan services for resource improvements and developments in approved projects are made on an insured basis from the Agricultural Credit Insurance Fund (ACIF) administered by the Farmers Home Administration. The FY 1981 budget proposes to phase out the current program. Activity for FY 1981 will be limited to:

1. Technical assistance and cost-share assistance to sponsors, local groups, and individuals to complete work started in prior years. Program operations could be influenced by the GAO study of the RC&D program scheduled for FY 1980.

2. Loan services for resource improvements and developments in approved projects. Loans will be made on an insured basis from the ACIF.

Program Administration: The Soil Conservation Service maintains its central office in Washington, D.C. Most of its activities are carried out in about 3,050 field offices in the 50 States and Puerto Rico. Four technical serivce centers provide program coordination and technical support. This includes services such as engineering, watershed planning, cartographic work, soil mechanics laboratories, information, professional help in agronomy, soils, biology, forestry, plant materials, range conservation, and other technical work. As of September 30, 1979, there were 13,680 full-time employees and 2,646 part-time, intermittent, and other employees.

SOIL CONSERVATION SERVICE

Available Funds and Staff-Years
1979 and Estimated, 1980 and 1981

Item	Actual 1979		Estimated Available, 1980		Budget Estimate 1981	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Soil Conservation Service:						
Conservation Operations	262,402,000	10,360	277,075,000	10,532	283,801,000	10,412
Rural Clean Water Program	- -	- -	- -	- -	- -	- -
River Basin Surveys and Investigations	16,487,000	509	16,487,000	519	17,442,000	507
Watershed Planning	11,847,000	410	11,115,000	340	6,660,000	196
Watershed and Flood Prevention Operations	169,607,000	2,749	167,524,000	2,408	172,160,000	2,257
Great Plains Conservation Program	18,689,000	326	18,689,000	343	20,591,000	343
Resource Conservation and Development	25,441,000	471	32,000,000	583	34,593,000	429
Total	504,473,000	14,825	522,890,000	14,725	535,247,000	14,144
Deduct allotments to other agencies:						
ESCS	-2,717,000	-87	-2,242,000	-74	-2,587,000	-70
FS	-8,679,480	-266	-7,270,000	-253	-7,249,000	-245
FmHA	- 792,000	-39	-831,000	-39	-842,000	-38
Net, Soil Conservation Service	492,284,520	14,433	512,547,000	14,359	524,569,000	13,791
Obligations under other USDA appropriations:						
Reimbursement for technical assistance from:						
Agricultural Stabilization and Conservation Service:						
Agricultural Conservation Program and Emergency Conservation Program	10,078,118	486	10,300,000	497	10,300,000	497
Water Bank Program	610,897	28	1,000,000	28	1,000,000	28
Experimental Rural Clean Water Program	- -	- -	663,000	30	1,590,000	72
Allocation from other Federal agencies:						
Rural Abandoned Mine Program DOI-OSM	10,420,400	124	10,100,000	118	10,100,000	134
Other Federal Funds	12,234,336	255	13,755,000	321	14,020,000	331
Non-Federal Funds	9,822,660	211	11,173,000	267	11,346,000	274
Total, Soil Conservation Service 1/	535,450,931	15,537	559,538,000	15,620	572,925,000	15,127

End-of-Year Employment:	1979 Actual	1980 Estimated	1981 Estimated
Permanent full-time	13,680	13,650	13,190
Other	2,576 2/	3,040	3,040
Total	16,256 3/	16,690	16,230

1/ Obligations of $335,936 and staff-years of 41 for the Young Adult Conservation Corps are not included.
2/ Excludes 2 worker trainee opportunity positions.
3/ Excludes 101 stay in school and 19 summer aid positions.

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

Permanent Positions by Grade and Staff-Year Summary

1979 and Estimated 1980 and 1981

Grade	1979			1980			1981		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-6	3	-	3	3	-	3	3	-	3
ES-5	4	-	4	4	-	4	4	-	4
ES-4	11	4	15	10	4	14	14	-	14
GS-15	50	41	91	50	41	91	50	41	91
GS-14	78	63	141	78	63	141	78	63	141
GS-13	78	474	552	78	474	552	78	474	552
GS-12	30	1,234	1,264	30	1,234	1,264	30	1,198	1,228
GS-11	28	3,519	3,547	28	3,519	3,547	28	3,416	3,444
GS-10	- -	1	1	- -	1	1	- -	1	1
GS-9	19	1,956	1,975	19	1,956	1,975	19	1,897	1,916
GS-8	10	14	24	10	14	24	10	14	24
GS-7	56	2,020	2,076	58	2,020	2,078	56	1,893	1,949
GS-6	34	1,607	1,641	34	1,608	1,642	34	1,554	1,588
GS-5	38	1,454	1,492	38	1,455	1,493	38	1,407	1,445
GS-4	23	690	713	23	690	713	23	666	689
GS-3	14	198	212	15	198	213	14	193	207
GS-2	4	15	19	4	15	19	4	15	19
GS-1	- -	2	2	- -	2	2	- -	2	2
Other Graded Positions	21	---	21	23	- -	23	22	- -	22
Ungraded Positions	2	159	161	2	128	130	2	123	125
Total Perm. Positions	503	13,451	13,954	507	13,422	13,929	507	12,957	13,464
Staff-Years:									
Permanent	552	13,251	13,803	557	13,371	13,928	536	12,854	13,390
Other	69	1,665	1,734	68	1,624	1,692	69	1,668	1,737
TOTAL	621	14,916	15,537	625	14,995	15,620	605	14,522	15,127

SOIL CONSERVATION SERVICE

CLASSIFICATION BY OBJECTS

1979 and Estimated 1980 and 1981

	1979	1980	1981
Personnel Compensation:			
Headquarters	11,302	11,819	11,319
Field	271,251	283,648	271,662
11 Total personnel compensation	282,553	295,467	282,981
Other Objects:			
12 Personnel benefits-civilian	31,673	32,850	31,555
13 Benefits of former personnel	94	234	83
21 Travel	10,470	10,050	9,788
22 Transportation of things	3,017	2,993	2,941
23.1 Standard level user charges	12,727	13,717	13,536
23.2 Communications, utilities, and other rent	17,500	17,803	16,937
24 Printing and reproduction	2,981	3,021	2,917
25 Other services	32,265	32,028	29,153
Construction contracts	110,743	91,394	84,183
26 Supplies and materials	14,073	13,754	12,605
31 Equipment	12,204	11,581	11,130
32 Lands and structures	478	617	303
33 Investments and loans	274	210	178
41 Grants, subsidies and indemnities	95,220	79,627	75,162
42 Insurance claims and indemnities	39	173	36
44 Refunds	11	18	14
Total other objects	343,769	310,070	290,521
Total obligations	626,322	605,537	573,502
Position Data:			
Average Salary, GS positions	18,533	19,528	19,607
Average Grade, GS positions	858	858	860

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

Personnel Summary by Organization Level
FY 1979 Actual

	Positions Authorized Permanent	Positions Authorized Temporary	Positions Filled Permanent	Positions Filled Temporary	Average GS Salary	Average GS Grade	Average Salary-Ungraded	Staff-Years GS Personnel
Washington Headquarters	402	47	402	47	25,519	10.47	11,689	476
Technical Service Centers (Incl. CA)	659	55	659	55	21,016	8.91	18,245	719
Other National Units	94	23	94	23	19,754	9.01	13,457	111
State Offices	1,437	245	1,437	245 2/	18,332	8.56	15,712	1,625
State Technical Specialists	473	69	473	69	- -	- -	- -	531
Plant Materials Center	65	65	65	65	- -	- -	- -	111
Miscellaneous State Units ..	854	173	854	173	- -	- -	- -	1,027
Area Office Staffs	1,303	200	1,303	200	- -	- -	- -	1,471
Miscellaneous Area Units ...	1,509	247	1,509	247	- -	- -	- -	1,726
Field Office Staffs	6,884	1,452	6,884	1,452	- -	- -	- -	7,740
Subtotal, SCS Direct, and Reimbursable, and Miscellaneous contributed Funds	13,680	2,576	13,680 1/	2,576 3/	18,650	8.63	17,436	15,537
Allocations to Other Agencies								
Economics, Statistics, and Cooperatives Service ...	- -	- -	- -	- -	20,473	9.26	- -	87
Farmers Home Administration					17,373	8.09	- -	39
Forest Service	- -	- -	- -	- -	11,896	7.60	13,641	266
Subtotal, Allocations	- -	- -	- -	- -	- -	- -	- -	392
Total	13,680	2,576	13,680	2,576				15,929

1/ Excludes 2 worker trainees opportunity positions.
2/ Includes all employees below State office level.
3/ Excludes 101 stay in school positions and 19 summer aid positions.

UNITED STATES DEPARTMENT OF AGRICULTURE
Soil Conservation Service

Personnel Summary
FY 1979 Actual

	Agency[1/]	Permanent Full-Time	Other	Overtime & Holidays Worked	Total Staff Years
Conservation Operations	SCS	9,261	1,077	22	10,360
River Basin Surveys and Investigations	SCS	346	52	2	400
	ESCS	59	6	--	65
	FS	37	7	--	44
	Subtotal	442	65	2	509
Watershed Planning	SCS	351	41	1	393
	ESCS	3	--	--	3
	FS	12	2	--	14
	Subtotal	366	43	1	410
Watershed and Flood Prevention Operations	SCS	2,066	351	87	2,504
	ESCS	9	1	--	10
	FmHA	29	--	--	29
	FS	79	127	--	206
	Subtotal	2,183	479	87	2,749
Great Plains Conservation Program	SCS	293	33	--	326
Resource Conservation and Development	SCS	366	80	4	450
	ESCS	8	1	--	9
	FmHA	10	--	--	10
	FS	2	--	--	2
	Subtotal	386	81	4	471
Total Direct Program	SCS	12,683	1,634	116	14,433
	ESCS	79	8	--	87
	FmHA	39	--	--	39
	FS	130	136	--	266
	Total	12,931	1,778	116	14,825
Reimbursable Programs	SCS	877	91	--	968
Miscellaneous Contributed Funds	SCS	10	2	--	12
Allocation from DOI (Aban. Mine)	SCS	117	7	--	124
Total Program	SCS	13,687	1,734	116	15,537
	ESCS	79	8	--	87
	FmHA	39	--	--	39
	FS	130	136	--	266
Total Staff-Years, SCS Appropriations and Allocation to SCS		13,935	1,878	116	15,929

[1/] SCS: Soil Conservation Service
ESCS: Economics, Statistics, and Cooperatives Service
FS: Forest Service
FmHA: Farmers Home Administration

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE
(SCS ONLY)
Salaries and Expenses
FY 1979 Actual
(Dollars in Thousands)

	Total Obligations	Conservation Operations	River Basin Surveys and Investigations	Watershed Planning	Watershed and Flood Prevention Operations	Great Plains Conservation Program	Resource Conservation and Development
Management and Program Direction							
Washington Headquarters	15,227	10,165	1,002	958	2,249	246	607
State Offices	46,526	29,838	1,703	1,628	10,517	848	1,992
Technical Service Centers (Incl. CA)	2,944	1,889	155	186	583	30	101
SUBTOTAL	64,697	41,892	2,860	2,772	13,349	1,124	2,700
%	17.30	15.96	22.79	22.78	19.92	15.29	22.00
Technical Support							
State Technical Specialists	16,237	11,323	542	840	3,098	100	334
Technical Service Centers (Incl. CA)	4,584	2,161	498	831	869	32	193
Other National Units	35 cr	---	3 cr	13 cr	19 cr	---	---
SUBTOTAL	20,786	13,484	1,037	1,658	3,948	132	527
%	5.56	5.14	8.27	13.63	5.89	1.80	4.30
Program Operations							
Technical Service Centers	15,356	11,235	740	620	2,538	18	205
Plant Materials Centers	2,465	2,436	---	---	29	---	---
Other National Units	8,847	7,066	179	243	1,118	104	137
Miscellaneous State Units	30,370	5,178	6,213	5,799	12,584	38	558
Area Office Staffs	36,218	27,879	212	240	5,877	988	1,022
Miscellaneous Area Units	38,134	19,889	187	111	12,562	56	5,329
Field Office Staffs	157,033	133,484	1,120	725	15,018	4,893	1,793
SUBTOTAL	288,423	207,167	8,651	7,738	49,726	6,097	9,044
%	77.14	78.90	68.94	63.59	74.19	82.91	73.70
TOTAL	373,906	262,543	12,548	12,168	67,023	7,353	12,271
%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

	Total Obligations	Conservation Operations	River Basin Surveys and Investigations	Watershed Planning	Watershed and Flood Prevention Operations	Great Plains Conservation Program	Resource Conservation and Development
Organizational Summary							
Washington Headquarters . . .	15,227	10,165	1,002	958	2,249	246	607
State Offices	46,526	29,838	1,703	1,628	10,517	848	1,992
State Technical Specialists .	16,237	11,323	542	840	3,098	100	334
Technical Service Centers . .	22,884	15,285	1,393	1,637	3,990	80	499
Plant Materials Centers . . .	2,465	2,436	--	--	29	--	--
Other National Units.	8,812	7,066	176	230	1,099	104	137
Miscellaneous State Units . .	30,370	5,178	6,213	5,799	12,584	38	558
Area Office Staffs.	36,218	27,879	212	240	5,877	988	1,022
Miscellaneous Area Units. . .	38,134	19,889	187	111	12,562	56	5,329
Field Office Staffs	157,033	133,484	1,120	725	15,018	4,893	1,793
TOTAL SCS	373,906	262,543	12,548	12,168	67,023	7,353	12,271
Cost-Share/Construction	205,289	2,352	--	--	179,587	11,404	11,946
Total SCS Obligations, Net. . .	579,195	264,895	12,548	12,168	246,610	18,757	24,217
Economics, Statistics, and Cooperatives Service. . . .	2,696		2,381	31	171	--	113
Farmers Home Administration .	792	--	--	--	585		207
Forest Service.	10,895		1,866	529	8,013		487
SUBTOTAL.	14,383		4,247	560	8,769		807
TOTAL OBLIGATIONS, NET OF REIMBURSEMENTS	593,578	264,895	16,795	12,728	255,379	18,757	25,024

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Conservation Operations

For necessary expenses for carrying out the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-590f), including preparation of conservation plans and establishment of measures to conserve soil and water (including farm irrigation and land drainage and such special measures for soil and water management as may be necessary to prevent floods and the siltation of reservoirs and to control agricultural related pollutants): operation of conservation plant material centers; classification and mapping of soil; dissemination of information; purchase and erection or alteration of permanent buildings; and operation and maintenance of aircraft, [$264,747,000] $283,801,000: Provided, That the cost of any permanent building purchased, erected, or as improved, exclusive of the cost of constructing a water supply or sanitary system and connecting the same to any such building and with the exception of buildings acquired in conjunction with land being purchased for other purposes, shall not exceed $5,000 except for one building to be constructed at a cost not to exceed $50,000 and eight buildings to be constructed or improved at a cost not to exceed $30,000 per building and except that alterations or improvements to other existing permanent buildings costing $5,000 or more may be made in any fiscal year in an amount not to exceed $1,000 per building: Provided further, That no part of this appropriation shall be available for the construction of any such building on land not owned by the Government: Provided further, That no part of this appropriation may be expended for soil and water conservation operations under the Act of April 27, 1935 (16 U.S.C. 590a-590f) in demonstration projects: Provided further, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225) and not to exceed $25,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That qualified local engineers may be temporarily employed at per diem rates to perform the technical planning work of the Service.

Conservation Operations

Appropriation Act, 1980	$264,747,000
Budget Estimate, 1981	283,801,000
Increase in Appropriation	$+19,054,000

Adjustments in 1980		
Appropriation Act, 1980	$264,747,000	
1980 Supplemental Appropriation for pay costs	12,328,000	
Adjusted base for 1981		277,075,000
Budget Estimate, 1981		283,801,000
Increase over adjusted 1980		$+ 6,726,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1980 Estimated	Program Changes	1981 Estimated
Technical assistance	$209,008,000	$+1,494,000	$210,502,000
Inventory and monitoring	13,197,000	+2,976,000	16,173,000
Soil survey	44,084,000	+1,353,000	45,437,000
Snow survey and water forecasting	3,512,000	-116,000	3,396,000
Operation of plant materials centers	2,827,000	+106,000	2,933,000
Resource appraisal and program development	4,447,000	+913,000	5,360,000
TOTAL AVAILABLE	$277,075,000	$+6,726,000 a/	$283,801,000

a/ Includes a total increase of $6,934,000 toward increased operating costs in order to sustain performance levels for continuing programs. Includes a total increase of $2,945,000 for the portion of pay increases effective in FY 1980 which were absorbed in FY 1980 but which are necessary to carry out the programs proposed for FY 1981.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1979	1980 (estimate)	Increase or Decrease	1981 (estimate)
1. Technical assistance:				
(a) Planning	$ 77,057,200	$ 83,603,200	$ +597,600	$ 84,200,800
(b) Application	115,585,800	125,404,800	+896,400	126,301,200
Total, technical assistance	192,643,000	209,008,000	+1,494,000(1)	210,502,000
2. Inventory and monitoring	12,627,000	13,197,000	+2,976,000(2)	16,173,000
3. Soil surveys	44,768,000	44,084,000	+1,353,000(3)	45,437,000
4. Snow survey and water forecasting	3,377,000	3,512,000	-116,000(4)	3,396,000
5. Operation of plant material centers	2,693,000	2,827,000	+106,000(5)	2,933,000
6. Resource appraisal and program development	6,294,000	4,447,000	+913,000(6)	5,360,000
7. Rural clean water b/	- -	- -	- -	- -
Total available or estimate	262,402,000	277,075,000	$+6,726,000	$283,801,000
Proposed Supplemental for pay increase costs	- -	-12,328,000		
Total, appropriation	$262,402,000	$264,747,000		

b/ Funds appropriated in FY 1978 only.

PROJECT STATEMENT
(On basis of available funds)

Project	1979	1980 (estimate)	Increase or Decrease	1981 (estimate)
Direct obligations:				
1. Technical assistance:				
(a) Planning	$ 77,602,585	$ 83,954,115	$ +246,685	$ 84,200,800
(b) Application	116,403,877	125,931,173	+370,027	126,301,200
Total, technical assistance	194,006,462	209,885,288	+616,712	210,502,000
2. Inventory and monitoring	11,103,356	13,197,000	+2,976,000	16,173,000
3. Soil surveys	45,071,716	44,683,970	+753,030	45,437,000
4. Snow survey and water forecasting	4,673,790	3,985,585	-589,585	3,396,000
5. Operation of plant materials centers	2,790,636	2,834,838	+98,162	2,933,000
6. Resource appraisal and program development	6,847,021	4,477,413	+882,587	5,360,000
7. Rural clean water	402,360	1,755,275	-1,755,275	- -
Total direct obligations	264,895,341	280,819,369	+2,981,631	283,801,000
Unobligated balance brought forward	(-12,652,362)	(-3,744,369)	(+3,744,369)	- -
Unobligated balance carried forward	(+3,744,369)	- -	- -	- -
Unobligated balance lapsing	(+6,414,652)	- -	- -	- -
Adjusted appropriation	(262,402,000)	(277,075,000)	(+6,726,000)	(283,801,000)
Reimbursable obligations:				
1. Technical assistance:				
(a) Planning	7,306,688	8,160,400	+370,800	8,531,200
(b) Application	10,960,032	12,240,600	+556,200	12,796,800
Total, technical assistance	18,266,720	20,401,000	+927,000	21,328,000
2. Inventory and monitoring	115,899	200,000	- -	200,000
3. Soil surveys	6,625,371	8,000,000	+500,000	8,500,000
4. Snow survey and water forecasting	163,511	140,000	-40,000	100,000
5. Operation of plant materials centers	211,739	210,000	- -	210,000
6. Resource appraisal and program development	57,093	- -	- -	- -
7. Rural clean water	27	- -	- -	- -
Reimbursable obligations	25,440,360	28,951,000	+1,387,000	30,338,000
Obligational authority	$290,335,701	$309,770,369	$+4,368,631	$314,139,000

SOURCES OF REIMBURSEMENTS

Within USDA:				
Agriculture Stabilization and Conservation Service	$10,689,015	$11,663,000	$ +927,000	$12,590,000
Other	2,577,537	3,150,000	- -	3,150,000
Other Federal:				
Agency for International Development	1,347,109	1,638,000	- -	1,638,000
Other	6,310,522	7,200,000	+460,000	7,660,000
Non-Federal:				
States and Counties for soil surveys	2,345,602	2,800,000	- -	2,800,000
Other	2,170,575	2,500,000	- -	2,500,000
Total reimbursements	$25,440,360	$28,951,000	$+1,387,000	$30,338,000

PROJECT STATEMENT
(On basis of available funds)

Project	1979	1980 (estimate)	Increase or Decrease	1981 (estimate)
		OUTLAYS		
1. Technical assistance:				
(a) Planning	$ 75,130,097	$ 82,168,690	$ +4,418,510	$ 86,587,200
(b) Application	112,695,146	123,253,035	+6,627,765	129,880,800
Total, technical assistance	187,825,243	205,421,725	+11,046,275	216,468,000
2. Inventory and monitoring	10,743,860	13,327,000	+5,110,000	18,437,000
3. Soil surveys	43,642,125	43,210,000	+1,002,000	44,212,000
4. Snow survey and water forecasting	4,512,934	3,628,000	-112,000	3,516,000
5. Operation of plant materials centers	2,692,375	2,942,000	-23,000	2,919,000
6. Resource appraisal and program development	6,615,551	7,482,000	-971,000	6,511,000
7. Rural clean water	384,625	1,755,275	-1,755,275	- -
Total outlays	$256,416,713	$277,766,000	$+14,297,000	$292,063,000

EXPLANATION OF PROGRAM

The appropriation "Conservation Operations," funds Soil Conservation Service activities authorized by the Act of April 27, 1935, (16 U.S.C. 590a-590f); the Soil and Water Resources Conservation Act of 1977, (16 U.S.C. 2001-2009); Section 35 of the Rural Clean Water Act of 1977, (33 U.S.C. 1251, 1281). These activities are designed to reduce erosion, solve soil and water management problems, bring about physical adjustments in land use, improve agriculture, and reduce damage caused by floods and sedimentation. Activities include:

-- Technical assistance - the Soil Conservation Service provides technical assistance to 2,929 conservation districts. These districts, formed under State enabling legislation and locally controlled, have within their boundaries about 99 percent of the farms and ranches in the Nation. Through these conservation districts, the Soil Conservation Service provides technical help to more than 2,100,000 district cooperators, who are primarily farmers and ranchers, having land use and conservation problems.

More than 800,000 district cooperators receive help on an annual basis. About 26,000 State and local units of government were assisted with problems of land use, conservation, or building and water resource developments during FY 1979.

Conservation plans developed by land users consist of their decisions to achieve conservation objectives and contain soil and capability maps and other basic resource data interpreted for alternative uses and treatment.

Installation services are provided to cooperating land users to help them apply planned conservation systems. These services include site investigation designs and specifications, construction plans, and layout of practices.

Technical services are provided to individuals and groups participating in the Agricultural Conservation Program for site selection, layout, or establishment of specified conservation practices.

-- Inventory and monitoring - the inventory and monitoring program provides soil, water, and related resource data for national assessments. The program focuses on acceleration of the identification and providing information to local land use decisionmakers concerning the prime and unique farmlands that are needed to maintain our natural resource base and produce food, feed, forage, fiber, and

oilseed crops; and continue a national erosion and sediment survey--to provide data needed to plan for the control of nonpoint sources of pollution.

-- Soil surveys - special investigations and interpretations are made to determine the kinds of soil, potential alternative uses, and their needs for full use and conservation. Each soil survey includes field mapping and necessary correlation, interpretation, investigations, and laboratory work. These surveys are conducted cooperatively with other Federal agencies, land grant colleges, other State agencies, and local organizations. The published soil survey for a county or designated area includes maps with explanatory information useful in many Federal, State, county, and local community programs. Special reports are prepared and released as needed for local uses.

-- Snow survey and water forecasting - snow survey and water forecasting provides a valuable service to irrigators and others who rely upon snow data and water supply forecasts in planning annual operations. More than 10,000,000 acres of irrigated land in the Western States and Alaska are served by water supply forecasts. Although water supply forecasts are geared primarily to the needs of rural farm and ranch operators, they are also helpful to a wide variety of water management groups that have responsibility for flood control, recreation, fish and wildlife, power generation, municipal and industrial water supply, and water quality management.

-- Operation of plant materials centers - plant materials centers are operated for testing, selection, and providing for the commercial production of plants for erosion control, special conservation purposes, and adaptation to unusual soil and site conditions. The work at the 20 centers includes cooperation with State and Federal agencies, commercial businesses, and seed and nursery associations to encourage production, release, and use of new or uncommon plant materials needed in soil and water conservation programs. Over 140 new conservation plant varieties from this program are in large scale use in combating the many problems encountered in a total program of soil, water, and related resource conservation. An average of seven new conservation plants have been released each year for conservation purposes.

-- Resource appraisal and program development - activities carried out under this program include a nationwide soil, water, and related resource appraisal and development of future long-range conservation programs which will help USDA, soil, and water conservation districts and other Federal, State, and local agencies make the necessary shift towards the highest priority policy issues and identify the present and likely future demands on the soil, water, and related resources of the Nation.

-- Rural clean water - rural clean water activities consist of program formulation and implementation, technical training and workshops in FY 1980 funded from unobligated balances from the FY 1978 supplemental appropriation.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $1,494,000 in technical assistance consisting of:

(a) An increase of $4,950,000 for operating costs. This increase is necessary to meet increased costs associated with the recommended level of technical assistance to individual landowners, groups and units of government and acres treated to conservation standards.

(b) An increase of $1,544,000 for pay costs.

(c) A decrease of $5,000,000 in technical assistance program activities.

Need for Change. There has been an increase in the conservation role of State and local units of government and the private sector, both in manpower and funding, over the last five years. Farmers and ranchers have voluntarily

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contributed their own time and money to adequately treat to conservation standards 480 million acres of the Nation's 1.4 billion acres of nonfederal land in cooperation with soil conservation districts over the past 42 years and with technical assistance provided by the Soil Conservation Service. In our view, Federal technical assistance can be reduced to give recognition to the assumption of conservation responsibilities by the nonfederal sector and to permit Federal conservation resources to be directed toward overall national concerns such as the need to target Federal assistance to high-priority immediate problems, the need for long-range planning for conservation of our natural resource base, and the need to maintain USDA cost-sharing programs.

Nature of Change. Technical services would continue to be provided at the current level in support of all Federal programs which contribute towards the conservation of the Nation's soil, water, and related natural resource base including the Agricultural Conservation Program of the Agricultural Stabilization and Conservation Service. In addition, technical assistance would be provided as required in support of the experimental Rural Clean Water Program as provided by the Congress in the 1980 Appropriations Act.

Conservation technical services would be provided for the most critical conservation problems with special emphasis placed on the FY 1980 redirected items such as assistance on Indian tribal lands, small farms, agricultural waste management, water quality planning, critically eroding lands, and prime farmlands over coal. Direct technical assistance to the Nation's conservation districts would be reduced by 197 staff-years of effort or approximately one percent below the 1980 level.

(2) An increase of $2,976,000 for inventory and monitoring consisting of:

(a) An increase of $298,000 for operating costs. This increase is necessary to permit continued emphasis on providing interpretation and coordination of timely resource data for national assessments and use by all decisionmakers in land-use planning at the FY 1980 program operation level.

(b) An increase of $678,000 for pay costs.

(c) An increase of $2,000,000 for inventory and monitoring program activities.

Need for Change. The 1980 RCA process focused attention on both level of resource information and the additional resources that need to be appraised but were not a part of the 1977 SCS National Resource Inventories. Lack of current data on such items as wildlife habitat, prime forest land and rangeland, and the condition of vegetation, plus very limited data on Alaskan resources forced those preparing the appraisal report and analyses to use incomplete or old information. The public and USDA are concerned about these and other resources and the changes that are taking place. To examine these concerns, there is need to gather new data and monitor resources observed in previous years. This will aid in targeting resource programming and planning to the most critical resource problems and concerns.

Nature of Change. Additional high priority resource inventories will be included with the ongoing National Resource Inventories. Inventory and Monitoring activities were directed toward data collection on multicounty areas (Major Land Resource Areas) rather than on county areas so that the available funds will provide the maximum number of resource inventories for the funds expended. This increase will provide a part of the additional resource data needs for the 1985 RCA appraisal, for resource programming, and for resource planning.

Data will be collected through the use of Primary Sample Units (160 acre randomly selected plots by the Iowa State Statistical Laboratory) and statistically expanded to provide reliable data for use in interpretative models.

Trend data will be gathered to ascertain the status of land use, land use conversion and vegetative data. Approximately 112 staff-years of temporary and/or intermittent employees will be used for data collection.

(3) An increase of $1,353,000 for soil surveys consisting of:

(a) An increase of $1,188,000 for operating costs. This increase is necessary to meet increased costs associated with the recommended level of federally funded surveys needed to complete the National Cooperative Soil Survey on a timely basis. These surveys provide the basic data needed for resource planning.

(b) An increase of $678,000 for pay costs.

(c) A decrease of $513,000 in soil survey program activities.

Need for Change. A significant level of State and local funding and manpower resources continues to be allocated to soil surveys. In addition, the Bureau of Land Management of the Interior Department has provided funding for soil surveys on Federally-managed lands. The objectives and completion schedule for the soil survey, which is 65 percent complete, can be accomplished with a reduction in direct funding while at the same time encouraging the primary users of the service to support the work.

Nature of Change. The program level and accomplishments will remain at an effective level in FY 1981 by substituting reimbursable work for work financed by appropriated funds.

(4) A decrease of $116,000 in snow survey and water forecasting consisting of:

(a) An increase of $99,000 for operating costs. This increase is necessary to meet increased costs associated with continuation of water supply forecasts at the current rate and continuation of current commitments to user groups to obtain data from the system.

(b) An increase of $20,000 for pay costs.

(c) A decrease of $235,000 in snow survey and water forecasting program activities.

Need for Change. SCS took the lead in developing a regional water forecasting system for the eleven western States that depend upon snowfall for most of their water supply. The water is used for industry, power generation and domestic supplies as well as for agriculture. The installation of automated snow telemetry equipment at the 500 authorized sites will be 80 percent complete by the end of FY 1980. This will eliminate the need for some employees who have had to travel to these remote areas by snowshoe, skies, oversnow machines and aircraft to make manual readings.

Nature of Change. SCS will be making a study of the program during FY 1980 with the objective of developing alternative plans for managing and financing these activities ranging from continuing the present program to transfer of management and/or financing some or all of the program activities to nonfederal entities.

(5) An increase of $106,000 for operation of plant materials centers consisting of:

(a) An increase of $99,000 for operating costs. This would provide for maintaining the current level of plant studies and evaluating plant collections now being tested at the centers for effectiveness in reducing erosion and sedimentation and improving water quality.

(b) An increase of $7,000 for pay costs.

(6) An increase of $913,000 for resource appraisal and program development consisting of:

(a) An increase of $300,000 for operating costs. This would permit the continuation of (1) the maintenance of existing analytical models and processes used for the 1980 reports in the development of information for the 1985 reports to Congress; (2) the inclusion of new input data as it becomes available; and (3) the completion of sensitivity analysis of existing data and models in FY 1981.

(b) An increase of $18,000 for pay costs.

(c) An increase of $595,000 for resource appraisal and program development activities.

Need for Change. The current funding level supports only maintenance of existing analytical efforts. Massive amounts of data have been compiled and analyzed by the interagency RCA Coordinating Committee. Yet the Committee has been hampered in its decisionmaking by gaps in data and limitations in present analytical methods. Substantial improvement in both data and data analysis techniques are needed to be fully responsive to the Soil and Water Resources Conservation Act by the time of the 1985 reports. Teams of experts from universities and outside organizations who reviewed the current RCA process recommended development of improved analytical techniques. Development of improved policy evaluation techniques supported by this increase would enable the Department to get a clearer picture of what soil and water conservation programs now do and should do. This would also provide guidance to policy officials in making those programs more effective.

Nature of Change. Additional effort would be devoted to improvement of existing analytical models and development of additional models. Eight (8) staff-years would be added to this effort to increase agency capability in the area of economic-environmental modeling. Contracts and agreements of $343,000 would provide for refinement of an existing linear programming model, for development of new analytical models, and for assoicated ADP costs.

STATUS OF PROGRAM

The Soil Conservation Service, a technical agency of the United States Department of Agriculture, was established by and is to carry out provisions of the Soil Conservation and Domestic Allotment Act, Public Law 74-46, April 27, 1935.

CONSERVATION OPERATIONS

Current Activities: The objective of Conservation Operations is to use land within its capability and apply treatment for protection and of improvement. The Soil Conservation Service furnishes technical and other assistance to farmers, ranchers, rural communities, and others through 2,929 conservation districts under the terms of memoranda of understanding between districts and USDA. Local districts are units of government formed under authority of State law. Local people plan, direct, and participate in the conservation programs of the districts.

Officials of conservation districts are local leaders in the development and operation of appropriate land use and conservation treatment programs on private and other lands within the districts. They solicit local, State, and Federal participation in locally-adapted programs that conserve and improve land and water resources. Over the years they have developed cooperative ways of financing conservation programs which provide numerous public and private benefits. The over 2 million private landowners and operators, who cooperate in district programs, finance more conservation costs than all public sources combined.

Status of District Organization by kinds of districts, cumulative to September 30, 1979, is as follows:

District	States	Districts	Approximate Acres (Thousand)	Farms (Thousand)
Soil & Water Cons. Dist.	States	2,898	2,207,968	2,527
	Caribbean			
Soil & Water Cons. Dist.	Area	18	2,299	30
Work Areas (called Dist.)	Conn.	8	3,132	4
Grass Cons. Districts	Mont.	3	271	3
Imperial Irrigation Dist.	Calif.	1	908	1
Elephant Butte				
Irrigation District	N. Mex.	1	134	1
Total Conservation Districts		2,929	2,214,712	2,566

Cooperation with Other Agencies: Many agencies rely upon the technical expertise unique to the Soil Conservation Service to plan and implement programs which impact rural residents and/or resources. Three examples are the Coastal Zone Management Program of the Department of Commerce, the Nonpoint Source Pollution Program of the Environmental Protection Agency, and the Agricultural Conservation Program of the Agricultural Stabilization and Conservation Service

Redirected Emphasis: The Soil Conservation Service in FY 1979 placed added emphasis on providing services to the Indian population, to control agricultural waste, critical erosion, and to improving water quality. Both funds and staff continue to be targeted to these areas in FY 1980.

Assistance to Indians:

Upon the request of an Indian landowner, either individual, group, or tribe, SCS will provide assistance for planning and implementing measures of a soil and water conservation program in the same manner, with the same requirements, that assistance is provided to any other land user.

Indians are eligible to receive SCS technical assistance for financially assisted USDA programs. This includes the Agricultural Conservation Program (ACP), the Great Plains Conservation Program (GPCP), Resource Conservation and Development (RC&D) areas and the Rural Abandoned Mine Program (RAMP).

Information Services: Current information work of the Soil Conservation Service is directed toward encouraging farmers and ranchers to apply appropriate conservation practices to protect and preserve our natural resource base of soil and water. Information is issued through press releases, photographs, slide presentations, publications, speeches, magazine articles, and radio and television public service announcements.

TECHNICAL ASSISTANCE

Technical services and other assistance furnished by the Soil Conservation Service under this appropriation include the following activities:

Planning Assistance: Conservation planning provides assistance to individuals, groups, and rural communities in planning solutions to problems associated with the development and use of soil and water resources. Planning assistance is carried out through the use of soil, water, plant, and other resource inventory data. Some of the benefits accruing to both rural and urban residents are cleaner water, the reduction of health hazards, improvement of fish and wildlife habitat, flood prevention, and the preservation of our resource base for the production of food and fiber.

Application Assistance: The Soil Conservation Service furnishes technical assistance to land users to help them apply planned conservation measures. This includes design, layout, and onsite technical assistance.

Technical services were provided to 851,900 individual landusers on conservation planning or application during fiscal year 1979. They received services essential to making land use or treatment decisions or applying conservation measures. Conservation practices were applied by 395,521 individuals or groups during the year as a result of technical assistance provided.

Following is a list of accomplishments resulting from conservation practices installed in FY 1979:

Progress Items	Unit	Installed in 1979 with Assistance Under Conservation Operations	Other Programs
Decisionmakers receiving technical services 1/	Number	879,725	80,077
Conservation plans (new)	Acres	18,478,657	595,215
Conservation plans (revised)	Acres	14,292,527	910,066
Acres treated to conservation standards 2/	Acres	37,535,187	8,753,271
Cropland	(Acres)	(9,453,313)	(1,201,860)
Pasture & hayland	(Acres)	(4,660,372)	(798,070)
Range & native pasture	(Acres)	(18,232,869)	(6,405,208)
Woodland	(Acres)	(2,170,025)	(128,613)
Wildlife	(Acres)	(2,528,515)	(177,856)
Recreation	(Acres)	(191,791)	(17,455)
Other	(Acres)	(298,302)	(24,209)



Maintaining adequate mulch on the soil surface on this Palouse farm in Washington State is one important facet of conservation planning as is being discussed here between the farm operator and the Soil Conservation Service District Conservationist. Conservation planning is an open-ended process through which the landowner or operator makes decisions as to the use and preservation of two of his and our most valuable resources--soil and water.



Conservation practices such as these grass backslope terraces in Iowa are appropriate in many areas of the United States to control soil erosion and conserve water. Conservation practices must be adaptable to fit the sizes of farming equipment used.



The Soil Conservation Service has placed additional emphasis on providing technical services to the small farmer. Four generations of this Alabama family have grown up on this 60 acre farm. With SCS assistance this small family farmer is installing his own terraces with his own labor, tractor and plow.





Field windbreaks and stripcropping are needed in many areas of the United States to control wind erosion. The most common windbreaks consist of adapted tree species, however, narrow grass strips are also being used.





Woodland management is an important part of conservation planning in many areas of the United States. This Michigan woodland property thinned and managed will result in a stand of valuable, marketable timber.



SCS, through its various activities and programs, encourages the preservation of natural wetland areas. Wetlands such as this one in South Dakota provide nesting areas, protection, cover and food and drink for numerous forms of wildlife.



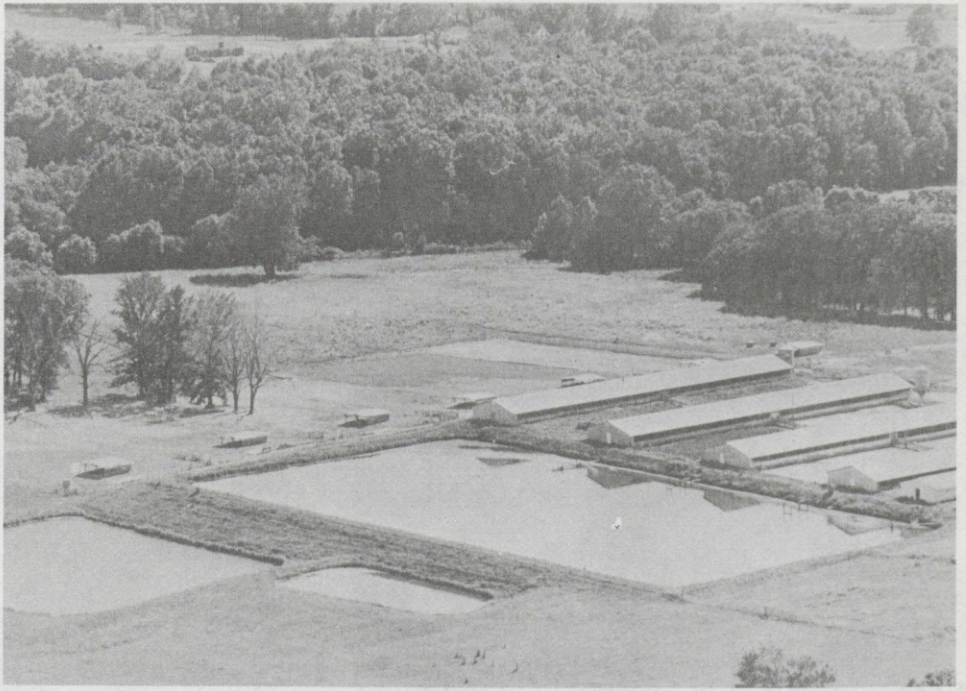
On this grazed pasture in Kansas, conservation management is necessary to control soil erosion, conserve water and provide adequate future forage for livestock production.



This Indian ranch owner and operator from Dupreē, South Dakota, with the assistance of the SCS, has carried out a forage conservation program for livestock production through a Great Plains Conservation Program contract on his ranch.



Surface mining drastically alters the earth's surface often resulting in the conversion of otherwise productive cropland or rangeland to wasteland. SCS provides technical assistance in reclaiming and restoring new surface mined land to a suitable productive state.



The retention of agricultural waste with its subsequent application on suitable cropland or pastureland provides agricultural nutrients and prevents the waste from becoming a water quality or pollution problem.

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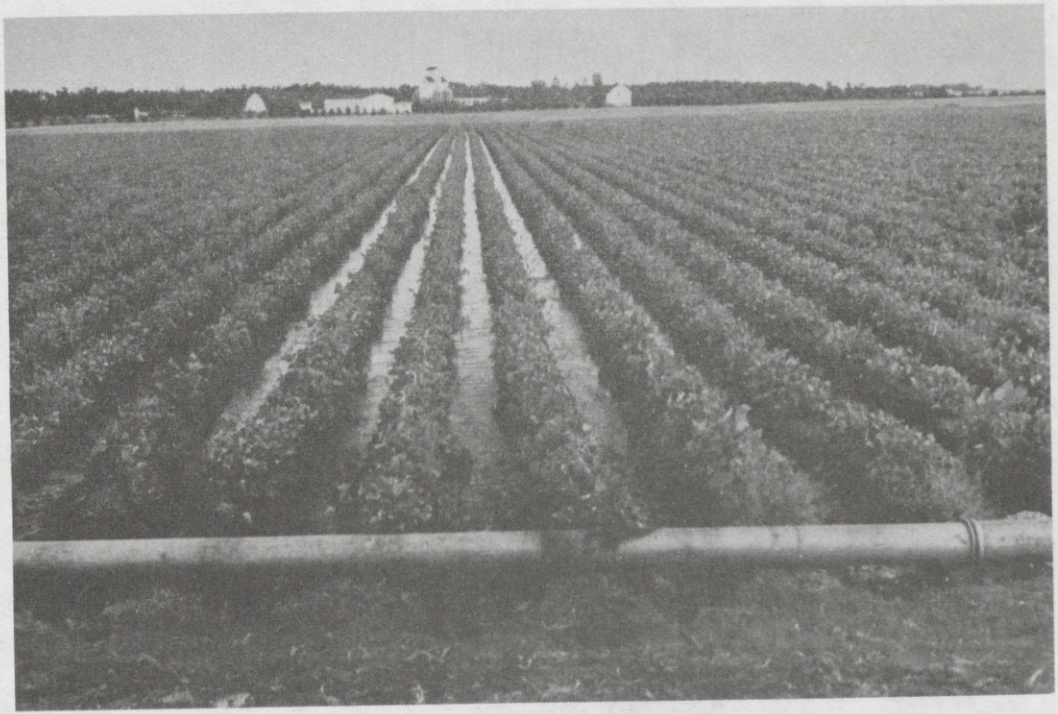


It is important that we make wise use of one of our most important limited resources--water. Good irrigation water management in North Dakota is achieved through the timely application of the proper amounts of water on a soil and slope suitable for irrigation.



Saline soil problems and highly saline irrigation water result in restricted crop production in many irrigated cropland areas of the western United States. SCS is providing technical assistance in soil and water management in this Arizona and other saline problem areas.



Aquaculture makes use of one of our natural resources for food production. With good management, up to 5,000 pounds of catfish per acre can be produced.



1/ Decisionmakers receiving technical services is the number of individuals, groups and units of government assisted with the authority to make land use and treatment decisions on lands under their management and control.

2/ Acres treated to conservation standards is land adequately protected to maintain productive capacity and contain erosion and deterioration within acceptable limits. Needed conservation practices and management systems have been installed.

Additional emphasis was placed on improving on-farm irrigation water management and installing salinity control measures, especially within the Colorado River Basin of the western United States. The Grand Valley Salinity Control project was established in FY 1979 in western Colorado. In FY 1980, assistance to landusers with critical erosion problems will continue to be emphasized.

INVENTORY AND MONITORING

Work under this appropriation consists of collecting and interpreting natural and related resource data, other than soil survey data, and providing the results to users for resource programming, planning, and appraising. The major effort is directed toward gathering statistically reliable data on the status and condition of the resources on nonfederal lands, but includes several supportive efforts of making important farmland maps, reporting on wind erosion conditions in the Great Plains States, and conducting special inventories to detect any changes in resources such as the shelterbelts and drained farmlands. These activities bridge the void between technical resource data and application of these data in everyday land use decisions.

Current Activities: Current natural and related resource information from this program enables individuals, groups, and units of government to make sound and cost-effective resource and environmental decisions. The data and interpretations are used for identifying and examining resource problems, assessing resource concerns of the public, and targeting conservation efforts of USDA. The results of a recently released multiresource inventory of each State, except Alaska, are used for the appraisal part of the Resources Conservation Act of 1977 and for resource programming and planning at the State and national levels.

Specific problems to which efforts are now being directed are:

1. Retaining agricultural lands. There is a rapid growth in world demand for U.S. food, a concern about balance of trade, expanding energy costs, and uncertainties about future advances in farming technology. Inventories made of prime farmland and the potential for cropland provide benchmark data that are used for assessing the resource part of the issue. Continued monitoring will detect changes in the status and condition of these important lands.

2. Targeting conservation to resource problems and concerns. USDA and others direct their actions to the most pressing resource problems and to those that will provide the greatest benefit to society with the least cost. Inventorying provides multiresource data to decisionmakers for conservation programming and planning. Monitoring provides the followup required to measure progress and reevaluate conservation priorities.

3. Addressing environmental concerns. Growing more food and fiber increases the risk of degrading the Nation's soil and water resources. Tons of soil lost by erosion can be related to the loss of productivity of land and poor water quality. As prime farmland is used for other purposes such as urban development, lands less suited for production are substituted for crop production. This increases energy cost, conservation investiments, and requires high-level management to prevent soil degradation. It encourages landowners to convert wetlands and natural flood plains to cropland.

Inventory and monitoring provides data on prime farmland, its use and change in status as well as data on potential for cropland and conservation treatment of land. The inventories provide data for carrying out the surface mining regulations on prime farmland used for crops and for preparing environmental impact statements.

Selected Examples of Recent Progress: Recent achievements under this appropriation item are listed below.

1. State resource inventories are released and new natural and related resource inventories are started. Eleven inventories (e.g., land quality, use of land, use of small water areas, conservation needs, sheet and rill erosion, wind erosion in the Great Plains States, wetland types 3-20, flood prone areas, potential for new cropland, irrigation, and prime farmland) were provided to resource decisionmakers. New county resource inventories were started in 25 States. About 142 counties were completed, and 352 counties are in progress. Because of funding priorities and time constraints to meet the need for new data by the end of calendar year 1982, the inventory and monitoring program has been redirected to collect data for major land resource areas (MLRA's) and aggregated subareas (ASA's -hydrologic units) within a State. About 40 MLRA's or their equivalent will be inventoried each year. This includes monitoring previously used data sites.

2. Additional important farmland inventory maps are completed. About 259 county important farmland inventory maps are published and another 320 are prepared but not published. In addition, eight State generalized inventories are completed. There are nearly 1,300 counties in the U.S. that have prime farmlands and are undergoing significant land use changes (urbanization or surface mining). The program goal is to complete the 1,300 county inventories by 1986. Monitoring will begin toward the end of this period to locate and measure the extent of losses of the important farmlands. Inventory maps are published and furnished to local and State units of government, agencies, and others.

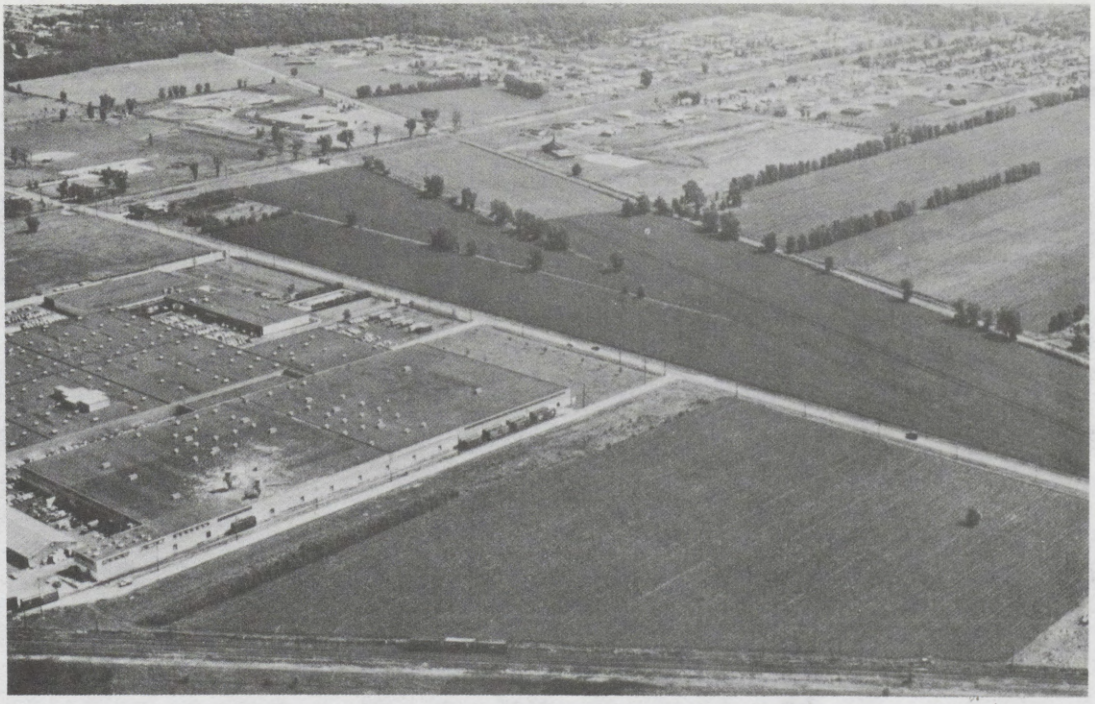
3. Wind erosion conditions for the 10 Great Plains States are reported. Each year during the November 1 to June 1 blowing season, 515 counties in the Great Plains States prepare estimates of cropland, rangeland, and other land damaged; crops or cover destroyed on land not damaged; land not damaged due to emergency tillage; and land in condition to blow. Also data are provided on the major factors contributing to wind erosion for the blowing season. The report is used for informational purposes and to alert conservationists and others on the extent of severity of wind erosion in the high hazard areas.



Severe sheet and rill erosion in Tennessee is one of the resource problems recently inventoried nationally. As a result of the inventory, increased attention will be given to solving the problem through planning and application of conservation practices.



Wetlands and wet soils are monitored to provide needed information for environmental decisionmaking.



Current data on loss of important farmlands is essential in measuring the Nation's capacity for agricultural production.



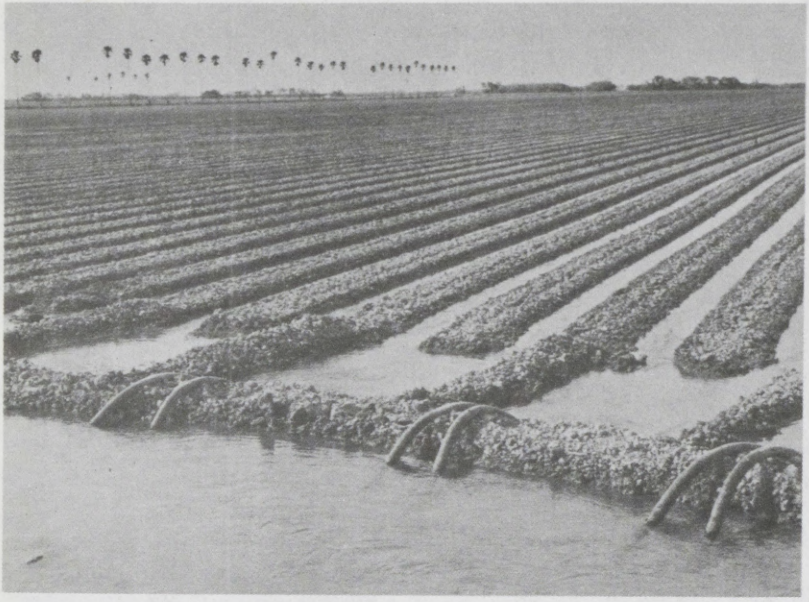
Soil surveys provide the information needed to evaluate alternative land uses. This soil is well suited for growing rice, but would have severe limitations for building foundations, streets, and highways and utilities. Areas of this soil are favorite wintering grounds for migratory geese and ducks.



A soil survey is needed to determine the suitability for growing crops such as citrus. Critical soil characteristics in growing citrus are such things as salinity, reaction, water table, soil depth, and drainage. This prime farmland is in a Texas area experiencing rapid land use changes due to urbanization.



Soil surveys provide information for wise land use planning. Kirvin soils are well suited for growing commercial timber and pastures, and moderately well suited for urban uses due to clay subsoil.



A soil survey is needed to properly design an efficient irrigation system. Soil characteristics such as initial intake rate, permeability, water holding capacity, and slope are used in designing irrigation systems.



This is a pecan grove in Texas. A soil survey provides information on uses and limitations of soils. Frio clay loam is a soil well suited for pastures and pecans. It is poorly suited for urban uses because it has high shrink-swell potential and is subject to frequent flooding.



Hardwood trees grow well on a soil such as Mantachie, however, this wet flooded soil is poorly suited for row crops or urban uses. Soil surveys are invaluable in determining soil potentials and identifying wetlands for preservation.

4. Special inventories of special resource problems. Field work is completed on inventorying gully, streambank, roadside, and construction site erosion. The data will soon be released to agencies and the public.

The one-time inventory to measure loss of shelterbelts in five of the Great Plains States provided data that showed amount, rate, and major reason for changes in the status of shelterbelts.

Because of the difficulty in obtaining reliable estimates of drained farmland by present procedures, the Bureau of the Census requested that the Inventory and Monitoring Program obtain these estimates for the next census report. The data have been collected.

SOIL SURVEYS

The Soil Conservation Service has leadership for the National Cooperative Soil Survey. Participants include State agricultural experiment stations and other State, Federal, and local agencies. Soils are studied in the field and in the laboratory. They are described and the boundaries plotted on aerial photographs. Soil interpretations explain alternative uses and behavior of the soils. The results of research on soils and of experience in using them contribute to these explanations.

An objective of the National Cooperative Soil Survey is to provide published soil surveys of counties or areas of comparable size. Publications are used by many agencies, organizations, and individuals.

The nationwide system of Soil Taxonomy was developed by the Soil Conservation Service in cooperation with other interested agencies of State and local governments and many foreign contributors. Soil properties are rarely uniform over broad areas. Close adherence to a nationwide system of Soil Taxonomy allows knowledge and experience gained from one soil to be used in other areas where the same kind of soil is found.

Soil surveys provide the basic data about different kinds of soil that are essential to resource planning. Soil surveys are needed to plan runoff and erosion control measures. A soil survey enables land users to predict how each kind of soil will respond to use, management, and treatment. Soil surveys help farmers locate soils best suited for specific crops, and most responsive to management. They are of importance to planners, engineers, zoning commissions, tax commissioners, homeowners, developers, and others. Many have suffered severe losses when facilities were located on soil not suited for such purposes and special treatment was not provided to compensate for unfavorable soil conditions. In many instances, the use of soil survey information in site selection could have decreased initial construction cost as well as lowered maintenace cost.

Current activities: As of September 30, 1979, soil maps that meet the current standards for all potential users had been prepared on an estimated 1.48 billion acres. Mapping progress is as follows:

Fiscal Year	SCS Programs Acres Mapped	Cooperators 1/	Total Acres Mapped
1979 Actual	57,090,962	10,027,710	67,118,672
1980 Estimate	50,000,000	10,000,000	60,000,000
1981 Estimate	47,000,000	9,000,000	56,000,000

1/ Includes soil survey mapping by other Federal agencies and State and local agencies (estimate).

Soil survey mapping was completed on 93 soil survey areas in FY 1979 and soil mapping should be completed on another 100 areas in FY 1980 and, 95 in FY 1981. On September 30, 1979, there were 406 soil surveys with field mapping completed but not published, of which 185 are in the Government Printing Office and 221 are in other stages of the publication process.

In an effort to accelerate the Soil Survey Program, State, local, and Federal cooperators are providing more than 30 percent of the funds and people. This helps maintain progress in soil mapping.

Soil Survey Publications: A total of 112 soil surveys were edited and sent to the Government Printing Office during fiscal year 1979. Soil surveys for the following 133 counties or soil survey areas were published in fiscal year 1979.

Alabama
- Cleburne County
- Coffee County
- Dallas County
- Marion County

Alaska
- Alaska Exploratory Soil Survey

Arizona
- Santa Cruz and parts of Chochise and Pima Counties

Arkansas
- Faulkner County
- Hempstead County
- Saline County

California
- Napa County
- Orange County & Western part of Riverside County

Carribbean Area
- San Juan Area

Colorado
- Pueblo Area, Parts of Pueblo & Custer Counties

Florida
- Jackson County
- Marion County Area
- Osceloa County
- Palm Beach County Area

Georgia
- Bibb County
- Brooks & Thomas Counties
- Chattooga, Floyd & Polk Counties
- Elbert, Franklin & Madison Counties
- Lowndes County

Illinois
- Kane County
- Kankakee County
- Dupage County & part of Cook County
- Jackson County
- St. Clair County
- Union County

Indiana
- Hamilton County
- Johnson County
- Marion County
- Miami County
- Posey County
- Vermillion County
- Warrick County

Iowa
- Black Hawk County
- Fayette County
- Jasper County
- Lee County
- Sac County

Kansas
- Allen County
- Gove County
- Jackson County
- Johnson County

Kansas Cont'd
- Kingman County
- Pawnee County
- Sidgwick County
- Smith County
- Sumner County

Kentucky
- Hardin & Larue Counties

Louisiana
- Assumption Parish
- Iberia Parish

Maine
- Kennebec County

Massachusetts
- Bristol County, Northern Part
- Nantucket County

Michigan
- Antrim County
- Clare County
- Eaton County
- Gratiot County
- Ingram County
- Midland County

Minnesota
- Blue Earth County
- Kittson County
- Lyon County

Mississippi
- Forrest County
- Hinds County
- Jasper County
- Union County

Missouri
- Dunklin County
- Harrison County
- Knox, Monroe & Shelby Counties
- Montgomery & Warren Counties

Nebraska
- Boyd County
- Dodge County
- Furnas County
- Lincoln County

Nevada
- Carson City Area

New Jersey
- Warren County

New York
- Schuyler County
- Steuben County
- Ulster County
- Wayne County

North Dakota
- Mclean County
- Mercer County
- Slope County

Ohio
- Crawford County
- Lake County
- Mercer County
- Williams County

Oklahoma
- Atoka County
- Carter County
- Choctaw County
- Kiowa County
- McClain County
- Nowata County
- Osage County
- Seminole County
- Washita County

Pennsylvania
- Crawford County
- Huntingdon County

South Carolina
- Anduson County
- Dillon County
- Highland County

South Dakota
- Beadle County
- Dewey County
- Lawrence County
- Meade Couty, Southern Part
- Tripp County
- Yonkton County

Tennessee
- Hawkins & Hancock Counties

Texas
- Bastrop County
- Blanco & Burnet Counties
- Cooke County
- Dewitt County
- Falls County
- Floyd County
- Hill County
- Hood & Somerwell Counties
- Knox County
- Lamar & Delta Counties

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Texas Cont'd
Lubbock County
San Patricio & Arkansas Counties

Vermont
Franklin County
Orange County

Virginia
Augusta County
Chesterfield County

Washington
Pierce County Area

Wisconsin
Door County
Jefferson County
Outagame County
Portage County

SNOW SURVEY AND WATER SUPPLY FORECASTING

Snow-fed streams in the West provide 70 percent of the water supply used for agriculture, industry, municipal uses, recreation, fish and wildlife and other purposes. SCS operates a network of snow courses and related data collection sites in the Western States and Alaska in order to predict anticipated stream flow and water supply. These measurements are conducted in cooperation with Federal, State and local agencies, irrigation and power companies, and the Province of British Columbia.

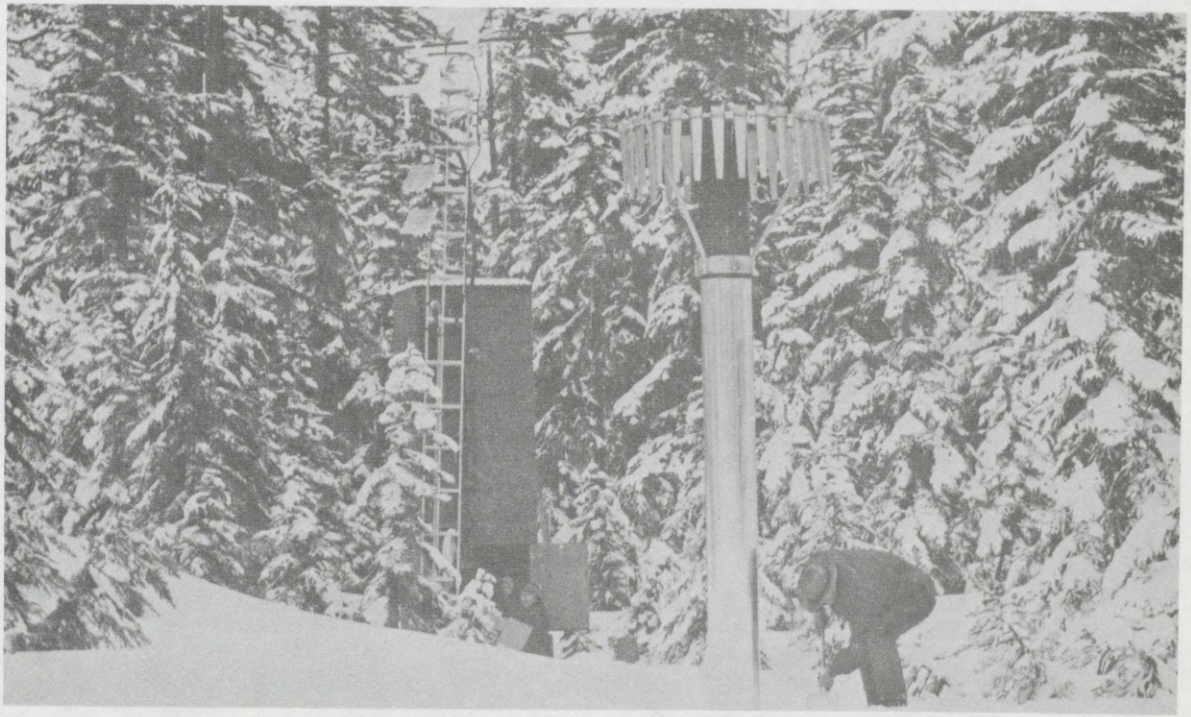
Water Supply forecasts and techical assistance help irrigation water users make the most effective use of available water supplies for agricultural production needs. In addition, a wide variety of water-using interests involved in water management decisions in the West are served. Federal agencies and organizations also use water supply data to help carry out their missions and the program aids the Federal Government in international water treaties.

State governments use the information as a basis for allocation and use of available water resources as well as for administration of interstate water compacts. Local governments and industry use data generated by snow surveys to manage water supplies for most effective use.

Depth and water content of snow are collected from 1600 snow courses. Soil moisture data are collected at 100 locations and precipitation at 550 locations. Currently, most data are gathered by SCS and cooperating agency personnel who travel to remote areas by snowshoes, skis, over-snow machines and aircraft. Automation is underway on 500 sites. The data are collected by remote sensing devices and transmitted via a westwide radio telemetry and data management system called SNOTEL. Approximately 230 locations are now fully equipped for collecting and transmitting data. An additional 240 sites have some data collection equipment installed.

In FY 1980, a plan will be developed to evaluate alternatives for the phased and orderly transfer of part or all of the management and/or financing of the program to nonfederal control over a period of the two fiscal years 1981 and 1982.

Item	1979 Number	1980 (estimate) Number	1981 (estimate) Number
Number of forecasts issued	3,619	4,000	4,000
Number of automated stations	230	410	470
Number of manual snow courses	1,600	1,600	1,600



This is an automated snow measurement site near Mt. Hood, Oregon. Storage raingage in foreground with shelter house for radio and other equipment in background. Tower supports radio antenna, solar panels for keeping batteries charged and a temperature gage.



SCS operates Plant Materials Centers, which in cooperation with other Federal and State Agencies, test, select and release for commercial increase grasses, legumes, shrubs and trees needed for reducing erosion and sedimentation and for environmental improvement.

PLANT MATERIALS CENTERS

Plant Materials Centers are operated by the Soil Conservation Service for testing, selecting, releasing, and providing for the commercial production of plants and the development of techniques for their effective use for reducing erosion and sedimentation where existing plants and methods are not suitable or available. Special emphasis is placed on selecting plants and techniques for use on critical areas. The work at the 22 centers include cooperation with State and Federal agencies, commercial businesses, and seed and nursery associations to encourage production of improved plants and the promotion of the use of new or uncommon plant materials needed in soil and water conservation programs.

Eighteen Plant Material Centers are operated by the Soil Conservation Service and four by cooperating agencies or by others. They are:

Operated by SCS:

Tucson, Arizona
Lockeford, California
Brooksville, Florida
Americus, Georgia
Molokia, Hawaii
Aberdeen, Idaho
Manhattan, Kansas
Quicksand, Kentucky
Beltsville, Maryland
East Lansing, Michigan
Coffeeville, Mississippi
Elsberry, Missouri
Bridger, Montana
Cape May Courthouse, New Jersey
Big Flats, New York
Corvallis, Oregon
Knox City, Texas
Pullman, Washington

Operated by cooperating agencies:

Los Lunas, New Mexico (New Mexico State University)
Bismarck, North Dakota (North Dakota Association of SCD's)

Other:

In addition to the 20 centers listed above, the State of Alaska operates a Plant Materials Center (PMC) at Palmer; and the White River and Douglas Creek Soil Conservation Districts have established an Environmental Plant Center at Meeker, Colorado. The Soil Conservation Service provides technical assistance to these Centers through cooperative agreements.

In FY 1980, a plan will be developed to evaluate alternatives for the phased and orderly transfer of part or all of the management and/or financing of these centers to nonfederal control over a period of the two fiscal years 1981 through 1982.

Comparative Plant Testing: Approximately 16,000 domestic and foreign plant collections are being comparatively evaluated at any one time at Plant Materials Centers. They are evaluated for a number of conservation needs with emphasis on finding plants and techniques for their effective use in stabilizing such critical areas as sand dunes, streambanks, and shorelines, road cuts and fills, utility corridors and mined lands. Plants are also evaluated and improved varieties released for the protection and improvement of pasture and rangeland and wildlife food and cover.

The Soil Conservation Service, over the years, has released over 200 different varieties of conservation plants to commercial producers. Some varieties have been replaced with superior plants. Currently, over 140 improved varieties are in commercial production and use in erosion control, sediment reduction, resource conservation, and environmental improvement. Commercial production in 1980 is projected at 13 million pounds of seed, 10 million woody plant seedlings, and 40 million plants,

clones, or sprigs. This commercial production will have a retail value of approximately $21,000,000 to commercial seed growers and nurserymen. More significantly, this commercial production of seed and plant is equivalent to the amount of plant materials required to treat over 1,700,000 acres of land.

The final evaluation of new plants and cultural methods is made on farms and ranches in conservation districts and on the properties of other cooperating agencies.

Most of the plant materials work is carried out in cooperation with other Federal agencies and State experiment stations, State highway agencies, and State departments of natural resources, conservation or wildlife.

An average of 15 new conservation plants have been cooperatively released to commercial seed growers and nurserymen during each of the last 3 years.

Needs for Improved Plant Materials in Conservation: Most of the plant materials work of the Soil Conservation Service Plant Materials Centers is to find adapted plants and techniques for use on critically eroding areas, where existing plant techniques are unavailable or not suitable. The control of these problems require the commercial availability of a wide variety of plant materials, some of which have a limited but vital application. The need for such conservation plants is accelerating and expanding due to the demand being placed upon the Nation's limited resources. Plants for stabilizing critical areas are needed in all parts of the country. The Rural Clean Water Act has focused attention on the need for suitable plants for reducing nonpoint pollution. The Surface Mining Control and Reclamation Act has resulted in accelerating the need for adapted plant materials for the reclamation of areas being mined and abandoned mined lands. Wind erosion in the Great Plains has shown the need for suitable plants for converting land not suitable for intensive crop production to permanent cover and the need for improved windbreaks and plant barriers.

RESOURCE APPRAISAL AND PROGRAM DEVELOPMENT

The Soil Conservation Service has leadership for the development and preparation of the Appraisal, Program, and Statement of Policy required by the Soil and Water Resources Conservation Act of 1977 (PL 95-192). Activities carried out under this Act will help USDA; soil and water conservation districts; and other Federal, State, and local agencies make the necessary shift towards the highest priority conservation tasks, resolve many natural resource policy issues, and identify the present and likely future demands on the soil, water, and related resources of the Nation.

With data obtained from the continuing appraisal of the Nation's soil, water, and related resources, a national soil and water conservation program is being developed in cooperation with and with participation by the public through conservation districts, State, and national organizations and agencies for submission to Congress in 1980. This program is to be used as a guide in carrying out the activities of the Soil Conservation Service to assist landowners and land users, at their request, in furthering soil and water conservation on the private and non-Federal lands of the Nation. The program shall set forth the direction for future soil and water conservation efforts of the Department of Agriculture based on the current soil, water, and related resource appraisal. The program will

take into consideration both the long-and short-term needs of the Nation, the landowners, and the land users, and recognize the role and responsibilities of Federal, State, and local governments in such conservation efforts.

Current Activities: In FY 1979, review draft parts 1 and 2 of the 1980 appraisal report to Congress were prepared and public comments were received. Application of the findings of the final report will provide a basis for planning and evaluating USDA conservation programs and policy in future years.

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

River Basin Surveys and Investigations:

For necessary expenses to conduct research, investigations, and surveys of the watersheds of rivers and other waterways, in accordance with section 6 of the Watershed Protection and Flood Prevention Act, approved August 4, 1954, as amended (16 U.S.C. 1006-1009), [$16,487,000] $17,442,000: Provided, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $60,000 shall be available for employment under 5 U.S.C. 3109.

River Basin Surveys and Investigations

Appropriation Act, 1980	$16,487,000
Budget Estimate, 1981	17,442,000
Increase in Appropriation	+$ 955,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1980 Estimated	Program Changes		1981 Estimated
River Basin Surveys:				
1. USDA cooperative studies....	$11,245,000	+$1,485,000		$12,730,000
2. Flood plain management assistance.....	1,570,000	+ 50,000		1,620,000
3. Interagency coordination and program formulation.....	3,672,000	-580,000		3,092,000
TOTAL AVAILABLE.....	$16,487,000	+$955,000	a/	$17,442,000

a/ Includes a total increase of $397,000 towards increased operating costs in order to sustain performance level for continuing programs. Includes a total increase of $924,000 for the pay increase effective in FY 1980 which was absorbed in FY 1980 but which is necessary to carry out the program proposed for FY 1981.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1979 Actual	1980 (estimate)	Increase or Decrease	1981 (estimate)
River Basin Surveys:				
1. USDA cooperative studies	$11,478,000	$11,245,000	+1,485,000	$12,730,000
2. Flood plain management assistance	1,534,000	1,570,000	+ 50,000	1,620,000
3. Interagency coordination and program formulation	3,475,000	3,672,000	- 580,000	3,092,000
Total available or estimate	$16,487,000	$16,487,000	+ 955,000 (1)	$17,442,000

PROJECT STATEMENT
(On basis of available funds)

Project	1979 Actual	1980 (estimate)	Increase or Decrease	1981 (estimate)
River Basin Surveys:				
1. USDA cooperative studies	$12,610,008	$11,245,000	+1,485,000	$12,730,000
2. Flood plain management assistance	1,043,544	1,570,000	+ 50,000	1,620,000
3. Interagency coordination and program formulation	3,043,161 1/	4,615,657 a/	-1,523,657	3,092,000
Total direct obligation	$16,696,713	$17,430,657 a/	+ 11,343	$17,442,000
Unobligated balance lapsing	(+846,423)	-0-	-0-	-0-
Unobligated balance brought forward	(-1,999,793)	(-943,657)	(+943,657)	(-0-)
Unobligated balance carried forward	(+943,657)	-0-	-0-	-0-
Adjusted appropriation	($16,487,000)	$16,487,000)	(+955,000)	($17,442,000)
Reimbursable obligations ...	1,680,708	2,300,000	-0-	2,300,000
Obligational authority	$18,377,421	$19,730,657	+11,343	$19,742,000

1/ Includes obligations of $1,056,137 of 12X1069 River Basin Surveys and Investigations funds for FY 1978 carryover.

2/ Includes $943,657 of FY 1978 carryover funds available until expended.

SOURCES OF REIMBURSEMENTS

Project	1979 Actual	1980 (estimate)	Increase or Decrease	1981 (estimate)
River Basin Surveys:				
USDA cooperative studies	$ 944,725	$1,288,000	-0-	$1,288,000
Water Resource Council	171,363	230,000	-0-	230,000
Other Federal Sources	308,213	414,000	-0-	414,000
Non-Federal Sources	256,407	368,000	-0-	368,000
	$1,680,708	$2,300,000	-0-	$2,300,000

OUTLAYS

River Basin Surveys:				
1. USDA cooperative studies	$10,284,190	$11,815,000	+ 901,000	$12,716,000
2. Flood plain management assistance	1,267,914	1,551,000	+ 17,000	1,568,000
3. Interagency coordination and program formulation	2,535,828	3,101,000	+ 34,000	3,135,000
Total outlays	$14,087,932	$16,467,000	+ 952,000	$17,419,000

EXPLANATION OF PROGRAM

The appropriation "River Basin Surveys and Investigations," funds activities is authorized by Public Law 83-566, as amended. The Department cooperates with other Federal and State agencies in making surveys and investigations of watersheds of rivers and other waterways. Activities include:

-- Collection of resource data

The Department participates in:

-- Studies of agricultural and other rural land and water resources within river basins to gather basic data on existing and potential water supplies, present and future land use, current and potential economic development, and existing erosion and sediment problems.

-- Studies to collect basis data on present and future agricultural water needs for irrigation, livestock, domestic, recreation, fish and wildlife use, forest-based industries, and municipal and industrial water needs.

-- Determination of problems and potentials

Studies and investigations are made of agricultural, rural, and upstream water and land resources and problems to determine corrective actions needed and potentials for development.

-- Plan formulation

The Department participates in the formulation of coordinated river basin plans. Evaluations include studies of

-- erosion, floodwater, and sediment damage to rural lands and properties,

-- impaired drainage of agricultural lands,

-- Agricultural drought problems and irrigation requirements,

-- Agricultural water needs for livestock and domestic use,

-- Recreation demand,

-- Fish and wildlife needs,

-- Forest-based industries,

-- Municipal and industrial water needs.

The planning activity gives consideration to finding alternative combinations of land treatment, structural and nonstructural measures to solve the area's problems, meet the identified needs, and develop the indicated potentials.

-- Floodplain management assistance

-- Is carried out in cooperation with State and local governments,

-- Identifies flood hazards on selected floodplain reaches,

-- Provides reports which include flood profiles and maps showing areas subject to flooding by select frequency floods,

-- Provides information needed by State and local governments to implement land use and floodplain management programs.

The following tabulation shows the number of surveys and obligations by type of survey for fiscal years 1979, 1980, and 1981.

	1979 No.	1980 No.	1981 No.
1. Type of survey and amounts obligated:			
(a) WRC Interagency Studies:			
1. Surveys in progress, start of year	12	9	9
2. Surveys initiated during year	5	4	4
3. Surveys worked during year	17	13	13
4. Surveys completed during year	8	4	4
5. Surveys in progress, end of year .	9	9	9
Cumulative total surveys initiated	40	44	48
Cumulative total surveys completed	31	35	39
(b) Surveys in cooperation with State and other Federal agencies:			
1. Surveys in progress, start of year	57	53	48
2. Surveys initiated during year	10	8	8
3. Surveys worked during year	67	61	56
4. Surveys completed during year	14	13	10
5. Surveys in progress, end of year .	53	48	46
Cumulative total surveys initiated	136	144	152
Cumulative total surveys completed	83	96	106
Total cost cooperative surveys	$12,610	$11,245	$12,730

	1979 No.	1980 No.	1981 No.
2. Flood plain management assistance program:			
(a) States participating in Flood Hazard Studies	35	36	36
1. Completed studies	30	30	30
2. Cumulative total completed	187	217	247
3. Ongoing studies	53	53	47
Total cost Flood Hazard Studies	$ 1,045	$ 1,570	$ 1,620
(b) HUD Flood Insurance Studies cost 1/	($1,900)	($1,700)	($1,700)
1. Completed studies	40	50	70
2. Cumulative total completed	275	325	395
3. Ongoing studies	168	118	48
3. Interagency coordination and program formulation costs	$ 3,042	$ 4,616	$ 3,092
Total cost direct obligations	$16,697	$17,431	$17,442

1/ Reimbursable from HUD (non-add).

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase in appropriation of $955,000 for River Basin Surveys and Investigations program consisting of: (on the basis of available funds there is an increase of $11,343).

(a) An increase of $924,000 for 1980 pay increase costs.

(b) An increase of $397,000 for operating costs. This will provide for the increased costs associated with the program level being proposed for continuation in FY 1981.

(c) A decrease of $366,000 in River Basin Surveys and Investigations Program activities.

Need for Change: Activities under the River Basin Surveys and Investigations provide data for many Federal, State and local organizations and other SCS programs. It normally requires 7 to 8 years to complete a river basin study. In order to place priority on regional problems, to determine the most effective solutions, and to provide the data on a more timely basis, the scope of the studies will be changed.

Nature of Change: New cooperative studies with State agencies will focus on regional problems with special emphasis on soil erosion, water conservation, stream water quality, prime farmland and wetlands. SCS will continue to participate in formal water policy meetings and will participate in selected Water Resource Council, River Basin Council and Interagency Council meetings. The average time required to complete a river basin study will be reduced to 3 to 4 years as a direct result of reducing the scope of the study.

STATUS OF PROGRAM

The Watershed Protection and Flood Prevention Act, Public Law 83-566, Section 6, August 4, 1954, provides for cooperation with other Federal, State, and local agencies in making investigations and surveys of river basins as a basis for the development of coordinated water resource programs. Reports of the investigations and surveys are prepared to serve as a guide for the development of agricultural, rural, and upstream watershed aspects of water, land, and related resources. They are also used as a basis for coordination with downstream and other phases of water development.

The Soil Conservation Service has leadership for administering river basin surveys, investigations, and planning activities including the development of general principles, criteria, and procedures; determining land resources availability and land uses; appraising physical problems and needs; determining water, land, and related resources potential of upstream watersheds; and coordinating programs with the Water Resources Council and member agencies.

The Forest Service is responsible for forestry aspects of river basin planning, both Federal and non-Federal, and for rangelands administered within National Forests and for the analysis and projection of economic activity related to forest industries.

The Economics, Statistics, and Cooperatives Service is responsible for basinwide economic aspects of surveys and investigations; developing economic agricultural base information and projections of agricultural production, employment, income, rural population and land use for the economic analysis of agricultural water management needs and potentials; and evaluation of the regional economic impact of water resource plans of agriculture and related sectors of the economy.

Other agencies in the Department participate in reviews and provide inputs where items of concerns to the agency are involved.

The following table shows actual funds obligated under River Basin Surveys and Investigations program in FY 1979 by agency and estimates for FY 1980 and FY 1981 on the basis of available funds.

Agency	1979 Obligations	1980 Estimate	1981 Estimate
Soil Conservation Service	12,547,938	13,550,000	13,067,000
Economics, Statistics, and Cooperatives Service	2,381,642	2,016,000	2,418,000 2/
Forest Service	1,767,133	1,865,000	1,957,000
TOTAL	16,696,713 1/	17,431,000	17,442,000

1/ Includes obligations of $1,056,137 of 12X1069 River Basin Surveys and Investigations funds from FY 1978 carryover.

2/ This amount includes $300,000 for National economic projections and national land resource data base activities.

RIVER BASIN SURVEYS AND INVESTIGATIONS

Current activities: The Department analyzes and projects the agricultural, forestry, and related economics of the river basin, including the use of land and water, and relationships to the total economy of the basin. The agricultural, rural, and upstream water, land, and related resources problems are studied to determine corrective actions needed and potentials for resource management and development. Evaluations include studies of erosion, floodwater, and sediment damage to rural lands and properties; problems related to and methods to preserve prime and unique farmlands; impaired drainage of agricultural lands; agricultural drought problems and irrigation requirements; opportunities for water conservation and water quality improvement; water needs for livestock, rural domestic use, recreation, fish, wildlife, forest-based industries, municipalities, and industries.

The inventories and analyses of water, land, and related resources in upstream watersheds include water storage capacity; the effect of land use and management practices on water quality and flow characteristics; and the potential hydrologic effect of agricultural, rural, and upstream watershed management alternatives. Consideration also is given to the effects of potential water resource projects on lands and programs administered by the Department.

In accordance with Title II of the Colorado River Basin Salinity Control Act (Public Law 93-320), USDA carries out detailed salinity investigations under SCS leadership. These investigations are performed in cooperation with the Department of the Interior's Water and Power Resources Services and the Environmental Protection Agency. The objectives of these investigations are to determined (1) the extent that onfarm irrigation is contributing salt to the Colorado River, and (2) the onfarm irrigation system improvement program needed to increase irrigation efficiencies and reduce deep percolation losses in order to reduce salt loading to the River. The initial USDA study report, for the Grand Valley Salinity Control Unit (Colorado), was completed in FY 1978. The USDA report for the Uintah Basin Unit (Utah) was completed in FY 1979. Two additional reports are scheduled to be completed in FY 1980: Lower Gunnison River, Colorado; and Big Sandy River, Wyoming. Six additional salinity control units will be in planning in FY 1981: Virgin River in Nevada, Utah, and Arizona; McElmo Creek, Colorado; San Juan River, Colorado and New Mexico; Price-San Rafael Rivers, Utah; Dirty Devil River, Utah; and Lyman, Wyoming.

Three types of investigation and surveys are conducted--Water Resources Council Interagency Studies, USDA Cooperative River Basin Surveys, and Joint USDA-Corps of Engineers Studies (PL 87-639).

Water Resources Council Level B and Special Studies: These studies are carried out jointly by the concerned Federal Departments and the involved States and are coordinated at the State level. Forty studies have been initiated by the Water Resources Council. As of September 30, 1979, 31 of these surveys have been completed. All of these studies are centrally funded by the Water Resources Council through reimbursable agreements with participating agencies.

USDA Cooperative Surveys with Local, State, and Concerned Federal Agencies: The Department cooperates with local, State, and concerned Federal agencies in the preparation and updating of State water resource plans and special water, land, and related resources studies. The Department helps States coordinate upstream and downstream elements of water, land, and related resources planning activities. Between 1961 and 1979, the Department has participated in 136 cooperative surveys and has completed 83.

Joint USDA - Corps of Engineers Studies (PL-87-639)
Upon request by the Congress, USDA cooperates with the U.S. Army Corps of Engineers in joint investigations and surveys for solving water and related resource problems for river basins or other specific problem areas. Two such studies have been completed and five are expected to be underway during FY 1981.

Selected examples of recent progress:

Tillamook Bay Drainage Basin (Cooperative Survey), Oregon
In 1973, the Tillamook Bay Task Force, a group of concerned citizens, requested assistance from State and Federal agencies in determining the magnitude of their erosion and sediment problems. They also wanted to determine the economic effects of the problem as well as develop plans for reducing sedimentation in the Bay. This study, completed in May 1979, is in response to that request.

This study reports 61,000 tons of sediment enters the Tillamook Bay annually. Eighty-five percent of the sediment is derived from forest lands that comprise more than 90 percent of the drainage basin of the Bay. Most of the remaining sediment is derived from agricultural lands with streambanks, trails, roads, and other land uses making additional sediment contributions.

Plans were formulated for reducing sediment production to the Bay by 10 percent reduction increments up to 64 percent reduction which was determined to be the maximum feasible reduction. For each 10 percent reduction level; costs, benefits, and other effects were determined and displayed in the final report of the study effort.

A summary report of the study was also prepared that briefly describes the study effort and findings. This report is being used in addition to slide presentations as key decision information in a series of public meetings. These meetings are for the purpose of explaining how the study was made, the results of the study, and how key elements of the study can be implemented.

Palouse River Basin (Cooperative Survey), Washington
The State of Washington Department of Ecology requested the U.S. Department of Agriculture to make studies in the Palouse Basin of Washington and portions of Idaho. The study began in 1976, and the final report was completed in April 1979.

The Department of Ecology wanted USDA assistance in providing factual information and data for use in water quality planning to comply with the Federal Water Pollution Control Act. USDA also desired similar information and data for use in increased efforts for preventing excessive erosion on agricultural land.

The study reports some of the highest erosion rates in the United States with an average annual rate of about 17 tons per acre on cropland. Some isolated steep slopes erode at rates approaching 200 tons per acre per year. All of the top soil has been eroded away from 10 percent of the cropland within the basin, and 25 to 75 percent of the topsoil has been eroded away from another 60 percent of the cropland.

The report concludes that there is no single best solution to the erosion problem for all farms. There are, however, combinations of various soil conservation practices that will be successful in preserving the growth potential of the remaining top soil that will also contribute to improved stream water quality. Erosion rates can be reduced 60 percent in the highest eroding zone of the basin without reducing farm income.

The study report presented many alternatives for reaching various goals of reduced erosion. Further efforts will be made to present study findings to decision makers and the public during an intensive effort to promote implementation of a land and water management plan.

FLOOD PLAIN MANAGEMENT ASSISTANCE PROGRAM

Flood Hazard Studies Current Activities: The Soil Conservation Service assists local governments in revising and implementing their flood plain management programs by carrying out cooperative flood hazard studies, in accordance with Recommendation 9(c) of House Document No. 465, 89th Congress, and in compliance with Executive Order 11988, dated May 24, 1977. Local governments request flood hazard studies from the State agency, which determines the priority for study. Each study is carried out in accordance with a Plan of Study developed by the local government and the SCS. Studies may include flood hazard determination, assessing natural and beneficial values, local flood plain management options, floodway determinations, and interpretation of technical data to assist communities in their flood plain management decisions.

The information generated serves as the basis for recommendations to conservation district cooperators and local planners and officials regarding proposed land use changes, assisting local governments with their flood plain management programs, and determining the flooding hazard of proposed housing and building sites for other agencies, such as the Farmers Home Administration. The information developed in flood hazard studies is also utilized in a variety of USDA ongoing programs. The study findings are used in watershed planning and preplanning, river basin studies and investigations, the reevaluation of flood plains below completed watershed projects, and determining suitability of proposed resource conservation and development measures.

A total of 240 flood hazard studies have been initiated to date; covering some 4,500 stream miles, and over 400 jurisdictions; 187 studies have been completed.

Selected example of recent progress:

Flood Hazard Studies-Commonwealth of Virginia. SCS has completed 20 studies and has six others underway. These studies involve a total of 580 stream miles and some 26 separate jurisdictions. After completing a study, SCS provides assistance and interpretation to help the local jurisdictions incorporate the study findings into their local flood plain management program. SCS has been successful in delineating floodways which have been accepted by the State and local governments.

Flood Insurance Studies-Current Activities. SCS performs reimbursable flood insurance studies for the Federal Insurance and Hazard Mitigation Division of the Federal Emergency Management Agency (formerly part of HUD) under Section 1360c of the National Flood Insurance Act of 1968 (Public Law 90-448). Flood insurance studies provide the technical information to enable communities to adopt flood plain management regulations to meet the requirements of the National Flood Insurance Program.

SCS has an interagency agreement for an estimated $1.9 million for new studies to be initiated in FY 1979. SCS has initiated a total of 443 detailed flood insurance studies in 45 States; 275 have been completed. No new studies are to be initiated in FY 1981.

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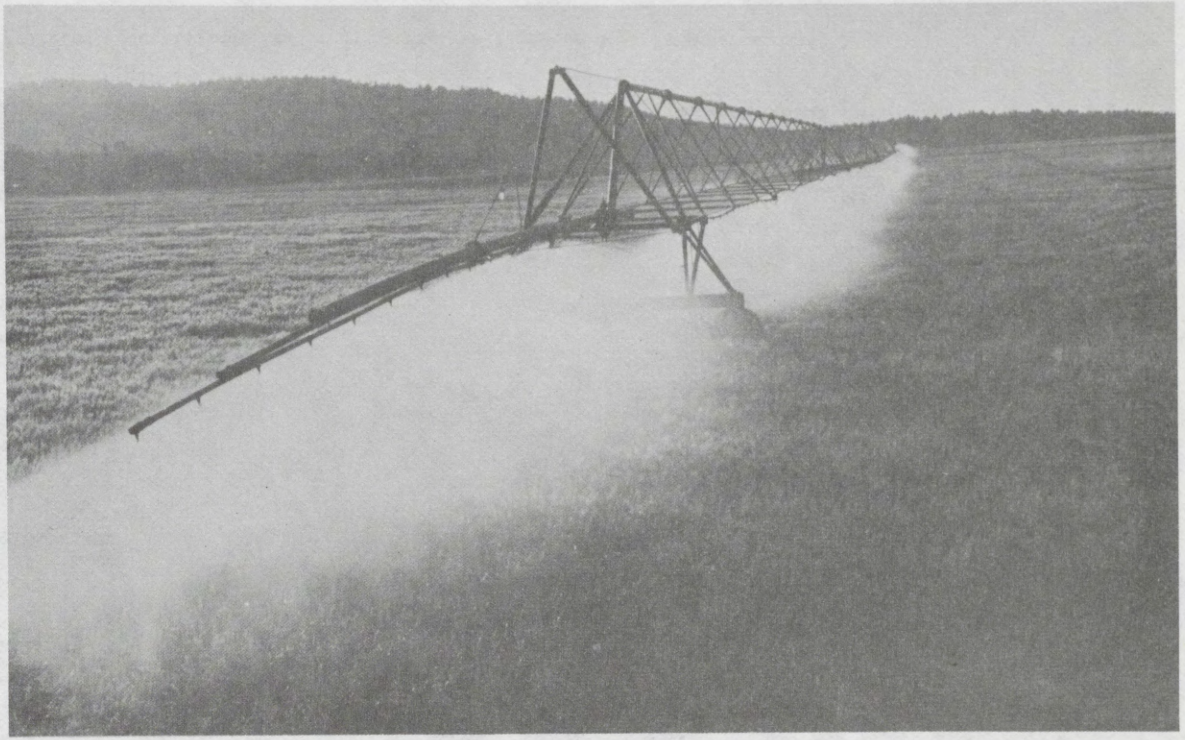
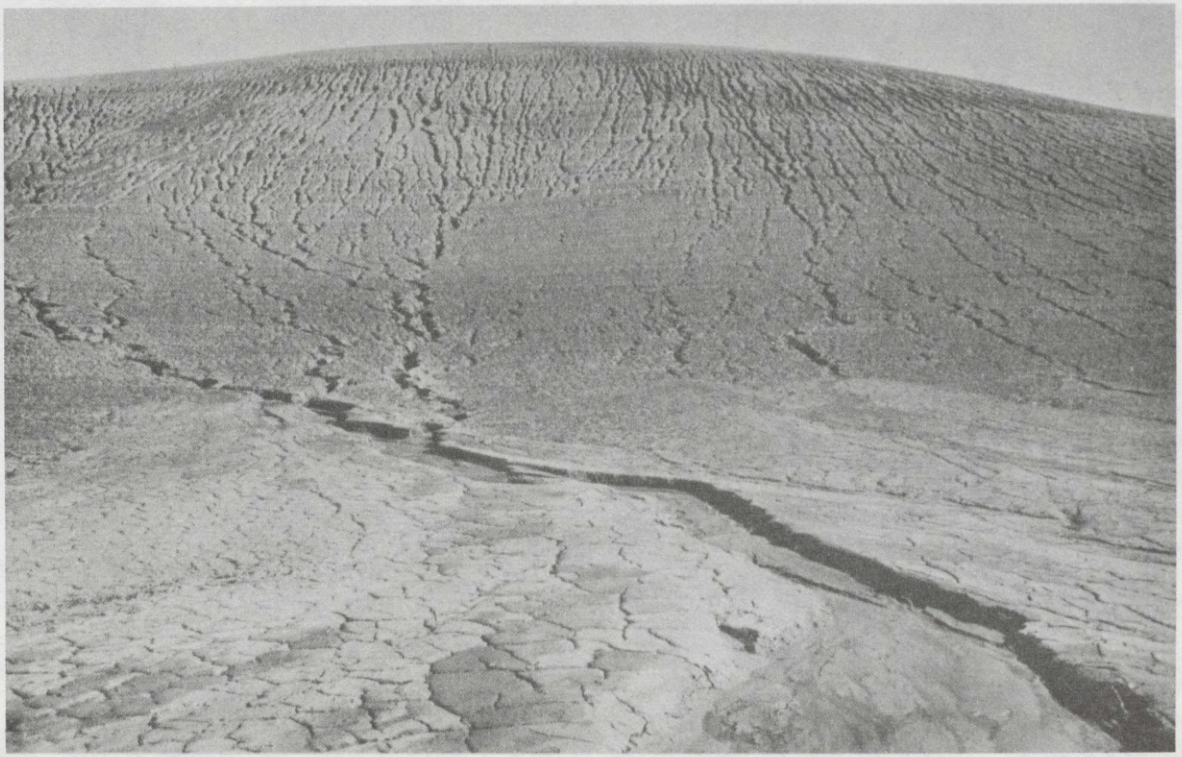


This depicts a circular sprinkler irrigation system used to irrigate wheat in Oregon. Can we afford the energy and water to irrigate wheat? Can we afford not to use the needed energy and water to irrigate wheat? Can we do the job with improved efficiency of both energy and water? These are the types of questions that river basin studies are answering.



Polluted water is undesirable in natural wetlands as well as in streams or lakes.



This shows a seeded wheat field in the Palouse of Washington State that lost 200 tons of soil per acre during one rain storm.

INTERAGENCY COORDINATION AND PROGRAM FORMULATION

Interagency coordination and program formulation in water and related land resources are achieved at the Federal level through the Water Resources Council. The Secretary of Agriculture is a member of the Council. The Council maintains a number of task forces and ad hoc work groups on which the Department is represented. At the field level, coordination of regional and river basin planning is achieved through River Basin Commissions, Interagency Committees, or ad hoc coordinating committees. The Soil Conservation Service provides the Department member for each of these groups. At the National level, Coordination and Program formulation activities are largely for the developing water resource policy data collection, standard for analysis program guidelines and procedures for planning.

Geographic Breakdown and Funding for River Basin Surveys and Investigations

(Dollars in Thousands)

River Basin or Region	States Involved	Cooperating Agencies	Obligations 1979 Est.	1980 Est.	1981 Est.
		Cooperative Surveys with States and Concerned Federal Agencies			
Black Warrior River	Alabama	State	282	37	---
Alabama Statewide	Alabama	State	122	410	568
Alaska Rivers	Alaska	State	915	577	742
Little Colorado River	Arizona New Mexico	State	428	173	74
Colorado River Indiana Reservation	Arizona	Parker Valley Natural Resource Conservation District	80	263	279
Arizona Statewide Water Management	Arizona	State	---	67	104
Bill Williams River	Arizona	State	---	---	127
Arkansas Statewide Study	Arkansas	State	398	366	---
Sacramento Valley Basin	California	State	495	519	498
Arkansas River	Colorado	State	173	298	226
Housatonic	Connecticut	State	---	66	69
Northeast Gulf River Regional Plan	Florida	State	353	15	---
District 1	Florida	State	29	166	127
S.W. Georgia Resources Management	Georgia	State	253	289	234
S.E. Georgia Resources Management	Georgia	State	---	---	319
Hamakua Area Agricultural Water Study	Hawaii	State	136	139	79
Ka'u	Hawaii	State	---	---	106
Upper Snake River	Idaho, Wyoming	State	289	---	---
Middle & Lower Snake River	Idaho	State	82	250	222
Idaho Irrigation Study	Idaho	State	245	146	284
Kankakee Erosion Control Study	Indiana	State	---	33	222
Southern Iowa Rivers	Iowa	State	179	---	---
Des Moines River	Iowa	State	270	313	172
New River Basin Study	Iowa	State	---	---	285
Great Studies	Iowa, Minnesota, Wisconsin, Missouri	State	29	15	32
Southeast Kansas Water Supply	Kansas	State	28	2	---
Green & Kentucky River	Kentucky	State	398	151	---
Kentucky Statewide	Kentucky	State	---	79	398
Ouachita River	Louisiana, Arkansas	State	346	---	---
Louisiana Statewide	Louisiana	State	118	483	520

Geographic Breakdown and Funding for River Basin Surveys and Investigations

(Dollars in Thousands)

River Basin or Region	States Involved	Cooperating Agencies	Obligations 1979 Est.	1980 Est.	1981 Est.
	Cooperative Surveys with States and Concerned Federal Agencies				
Mt. Agamenticus River	Maine	State	109	8	---
Saco River	Maine, New Hampshire	State	13	126	127
Delmarva Peninsula	Maryland Delaware, Virginia	State	16	---	---
Patapsco River	Maryland	State	63	6	---
Pocomoke River	Maryland	State	165	184	---
Massachusetts River Basin Planning Program	Massachusetts	State	354	312	430
Massachusetts Water and Agriculture Viability Study	Massachusetts	State	45	48	220
Southern Minnesota Rivers Basin	Minnesota	State	73	---	---
Minnesota River Subbasins (PL-639)	Minnesota	State	440	404	472
Yazoo-Mississippi Delta	Mississippi	State	15	57	---
Mississippi Statewide	Mississippi	State	379	226	234
Northern Missouri River Tributaries	Missouri	State	347	288	276
Upper Missouri River	Montana	State	194	118	40
Timber Water Study	Montana	State	---	97	121
Yellowstone Irrigation	Montana	State	---	---	121
Loup and Republican River Basin	Nebraska	State	10	---	---
Nebraska River Special Study	Nebraska	State	120	331	423
Water Management Study	Nevada	State	---	---	143
Section 73 Study	New Hampshire, Vermont	State	15	---	---
New Jersey Statewide Sediment and Erosion Study	New Jersey	State	143	143	13
Arkansas-White-Red River	New Mexico	State	102	---	---
Lower Rio Grande	New Mexico	State	8	168	158
Upper Allegheny River	New York, Pennsylvania	State	130	220	138
New York Special Study	New York	State	299	271	362
Eastern New York	New York	State	86	---	---
Tar-Neuse River	North Carolina	State	234	178	11
North Carolina Statewide	North Carolina	State	---	---	232
Central Ohio River	Ohio	State	267	335	154
Oregon Nonpoint Pollution	Oregon	State	147	204	48

Geographic Breakdown and Funding for River Basin Surveys and Investigations

(Dollars in Thousands)

River Basin or Region	States Involved	Cooperating Agencies	Obligations 1979 Est.	1980 Est.	1981 Est.
	Cooperative Surveys with States and Concerned Federal Agencies				
Tillamook Bay [1]	Oregon	State	70	---	---
Goose & Summer Lakes Basin [1]	Oregon	State	6	---	---
Upper Willamette	Oregon	State	---	47	169
Lancaster Area Resources Study	Pennsylvania	State	114	179	158
Yadkin-Pee Dee River	South Carolina	State	289	227	42
South Carolina Statewide	South Carolina	State	---	---	252
Western South Dakota River	South Dakota	State	47	---	---
Lower James River Special Study	South Dakota	State	---	110	104
Nonconnah, Wolf, Loosahatchie	Tennessee	State	356	187	125
Hatchie	Tennessee	State	---	69	351
Obion-Forked Deer River	Tennessee	State	54	37	---
Texas Statewide Sediment Study	Texas	State	238	43	85
Texas Statewide	Texas	State	20	197	341
Bear River	Utah, Wyoming, Idaho	State	66	---	---
Agricultural Runoff Evaluations	Vermont	State	171	174	143
Chowan-Pasquotank	Virginia	State	101	127	---
Southeast Washington River	Washington	State	437	293	333
Eastern Washington River	Washington	State	34	9	38
Potomac River	West Virginia	State	292	156	129
Pacatalico River (PL-639)	West Virginia	State	10	13	---
Wisconsin River	Wisconsin	State	210	---	---
Sugar-Pecatonica	Wisconsin	State	5	64	185
North Platte River	Wyoming	State	80	23	---
New River Basin Study	Wyoming	State	30	144	258
USDA Cooperative Studies			12,052	10,680	12,123
Colorado River Salinity			558	565	607
Floodplain Management Assistance			1,045	1,570	1,620
Interagency Coordination & Program Formulation			3,042	4,616	3,092
TOTAL DIRECT OBLIGATIONS			16,697 [2]	17,431	17,442

1/ Included in Oregon Nonpoint Pollution Study in FY 1980 budget.
2/ FY 1979 column shows estimated obligations by projects. Actual information is not available.

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Watershed Planning

For necessary expenses for small watershed investigations and planning, in accordance with the Watershed Protection and Flood Prevention Act, as amended (16 U.S.C. 1001-1008), [$10,500,000] $6,660,000. Provided, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $50,000 shall be available for employment under 5 U.S.C. 3109.

Watershed Planning

Appropriation Act, 1980		$10,500,000
Budget Estimate, 1981		6,660,000
Decrease in Appropriation		-$3,840,000
Adjustments in 1980:		
Appropriation Act, 1980	10,500,000	
1979 Supplemental Appropriation for pay costs	615,000	
Adjusted base for 1981		11,115,000
Budget Estimate, 1981		6,660,000
Decrease over adjusted 1980		-$4,455,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1980 Estimated	Program Changes	1981 Estimated
Watershed Planning:			
New planning starts will not be initiated	$11,115,000	-$4,455,000 a/	$6,660,000

a/ Includes a total increase of $226,000 toward increased operating costs in order to sustain performance levels for continuing programs.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1979 Actual	1980 (estimate)	Increase or Decrease	1981 (estimate)
Watershed Planning	$11,847,000	$11,115,000	-4,455,000(1)	$6,660,000
Proposed supplemental for pay increased cost	-0-	-615,000		
Total appropriation	$11,847,000	$10,500,000		

PROJECT STATEMENT
(On basis of available funds)

Project	1979 Actual	1980 (estimate)	Increase or Decrease	1981 (estimate)
Direct Obligations				
Watershed Planning:				
1. Small watershed planning authorized by PL-566	$12,727,785	$11,251,988	-4,591,988	$6,660,000
Unobligated balance brought forward	(-1,583,472)	(-136,988)	(+136,988)	(-0-)
Unobligated balance carried forward	(+136,988)	-0-	-0-	-0-
Unobligated balance lapsing	(+565,699)	-0-	-0-	-0-
Adjusted appropriation	(11,847,000)	(11,115,000)	(-4,455,000)	(6,660,000)
Reimbursable obligations	1,260,150	1,400,000	-0-	1,400,000
Obligational authority	$13,987,935	$12,651,988	-4,591,988	$8,060,000
SOURCES OF REIMBURSEMENTS				
Other Federal Sources	37,026	100,000	-0-	100,000
Non-federal Sources	1,223,124	1,300,000	-0-	1,300,000
Total reimbursements	$1,260,150	$1,400,000	-0-	$1,400,000

OUTLAYS

Small watershed planning authorized by PL-566.....	$12,963,871	$11,316,000	-3,814,000	$7,502,000

EXPLANATION OF PROGRAM

The appropriation "Watershed Planning," funds activities authorized by the Watershed Protection and Flood Prevention Act (Public Law 83-566), as amended, which relate to planning of individual watershed projects.

The Department makes surveys of proposed small watershed projects and prepares plans in cooperation with local sponsors. The planning activities consist of:

-- Cooperation between the Federal Government and State governments and their political subdivisions in assisting local sponsoring organizations develop plans for proposed watershed projects,

-- Conducting surveys and investigations to determine the land and water resource problems and opportunities within the watershed,

-- Studying alternatives to provide the best combination of land treatment, nonstructural, and structural measures for the protection, conservation, development, management, and utilization of land, water, and related resources,

-- Compiling information that is the basis for mutual agreement by the Department, local organizations, and the public concerning the possible alternative solutions which will best meet environmental, social, and economic goals,

-- Making environmental assessments concurrently with other planning efforts for every proposed watershed project, and

-- Preparing environmental impact statements when applicable and making them available to the public.

The watershed plans:

-- Identify the soil and water management problems in the watershed.

-- List the steps that have been or are authorized to be taken to alleviate these problems.

-- Outline the proposed works of improvement to be installed.

-- Itemize the estimated benefits and costs.

-- Set out the cost-sharing and operation and maintenance arranagements

-- Present other facts necessary to justify Federal participation in project development.

The following table shows actual and projected progress in watershed planning and its relationship to project installation.

Explanation	1979 Actual	1980 Estimate	1981 Estimate
Status of project planning			
Planning in process start of year...	181	150	134
New authorization during year.....	9	15	0
Completed plans during year.....	14	20	10
Suspensions and terminations.....	26	11	11
Status of project operations:			
Uncompleted projects start of year..	723	724	722
Projects approved for operations....	25	25	25
New construction starts.....	8	25	0

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of $4,455,000 in appropriations for small watershed planning authorized by PL-566 consisting of: ($4,591,988 on the basis of available funds.)

(a) An increase of $226,000 for operating costs. These costs are associated with the completion of watershed plans already in progress.

(b) Decrease of $4,681,000 in small watershed planning program activities ($11,115,000 available in 1980.)

Need for Change. Planning activities need to be reduced to a level that is consistent with construction accomplishments under watershed and flood prevention operations. There is a backlog of 165 projects for which planning has been completed but not yet moved into construction. Over the last 6 years, 115 projects were started for an average of 19.2 per year. At this rate, it would take 8.5 years to start the projects that constitute the current backlog.

The greater the lag time between planning and implementation, the greater the likelihood the original plans will have to be revised, thus creating additional cost before implementation can be initiated. Thus, it would be inefficient and ineffective to continue to add to this backlog by approving additional planning starts.

Nature of Change. In FY 1981, new planning starts will not be initiated and the available resources will be applied to plans already in progress.

STATUS OF PROGRAM

The Watershed Protection and Flood Prevention Act, Public Law 83-566, August 4, 1954, provides for cooperation between the Federal Government and the States and their political subdivisions in a program of watershed planning. The watershed planning work of the Department consists of assisting sponsoring local organizations to develop a plan on watersheds not exceeding 250,000 acres. The soil erosion, water and land management, and sedimentation problems in a watershed are described and works of improvement proposed to alleviate these problems. The resulting watershed plans form the basis for installing needed works of improvement. Plans also include conservation land treatment needed to conserve land, water, and related resources. Plans include estimated benefits and costs, cost-sharing and operation and maintenance arrangements, and other information necessary to justify Federal assistance for carrying out the plan.

PROGRAM ASSIGNMENTS

The Soil Conservation Service has responsibility for administration of the Watershed Planning Program.

The Forest Service is responsible for planning the foresty measures for national forest lands and for fire prevention forestry measures on non-Federal forest lands in the watersheds. The Economics, Statistics, and Cooperative Service assists with development of criteria to be used in economic analysis of watershed projects.

The following table shows the amount of direct funds obligated for small watershed project investigations and planning in 1979, and estimates for 1980 and 1981 by allocation account agencies.

	1979 Obligations	1980 Estimate	1981 Estimate
Soil Conservation Service. .	12,167,854	10,765,000	6,367,000
Economics, Statistics, and Cooperative Service. . . .	30,986	26,000	16,000
Forest Service	528,946	461,000	277,000
Total.	12,727,786	11,252,000	6,660,000

In addition to those agencies receiving allocations, other Federal agencies are reimbursed for services as needed. The Department of the Interior's Bureau of Land Management and Bureau of Indian Affairs are provided funds when needed to plan watershed measures for Federal lands which they administer. The National Oceanic and Atmospheric Administration of the Department of Commerce and the U.S. Geological Survey of the Department of the Interior provide precipitation and runoff data.

Developing Watershed Plans

Watershed planning is a coordinated investigation of the physical, environmental, social, and economic conditions specific to a watershed. Planning also includes analyses of alternative solutions to watershed problems to find the actions most acceptable to local sponsors.

Planning may disclose that a watershed project would provide substantial flood prevention or agricultural water management benefits and opportunity

for conservation, development, and management of land, water, and related resources. A plan may include purposes such as municipal and industrial water supply, recreation, fish and wildlife, groundwater recharge, water quality management, control of agriculture-related pollution, and disposal of solid wastes. Use of non-structural measures as possible solutions to watershed problems is being emphasized.

Watershed planning requires the skills of soil conservationists, economists, hydrologists, geologists, foresters, and engineers. They are supported by specialists in soil science, biology, plant technology, and recreation. Interested Federal, State, and local agencies and the general public are given an opportunity and are encouraged to participate in and contribute to the planning process. This assures that works of improvement included in plans are in harmony with other programs. Each watershed is planned to meet local objectives and to be compatible with regional and national goals. The plan must be one which the local people are able, willing, and ready to install with assistance provided under the program, and one which they can and will effectively operate and maintain.

Environmental assessments are made by the Soil Conservation Service and others on each watershed being planned. These assessments are integrated into the planning process at the earliest possible stage. Environmental statements, when required, are submitted for review and comment to local, State, and Federal agencies and are available to the general public. This provides an opportunity to obtain formal comments from a wide range of interests during planning.

Current Activities: During fiscal year 1979, the Department received 13 State-approved applications for watershed planning assistance from local sponsors of proposed small watershed projects. Local sponsors withdrew 187 applications during the year. The 2,625 applications for watershed planning assistance on hand on September 30, 1979, covered 202,653,192 acres in the 50 States and Puerto Rico. During fiscal year 1979, 9 applications were approved for planning assistance. Since inception of the program, 1,783 applications have been approved for planning. Watershed plans had been completed on 1,243 of these watersheds as of September 30, 1979. Planning had been suspended or terminated on 390 other watersheds at the request of sponsoring local organizations or with their concurrence when it became evident that planning activity would be significantly delayed. As of September 30, 1979, there were 842 unprocessed applications for watershed planning assistance.

The following table shows applications received and actual and projected progress in planning small watershed projects:

	Activity	1979 Actual	1980 Estimate	1981 Estimate
1.	Application for planning assistance			
	On hand, cumulative, start of year	2,812	2,625	2,595
	Net change during year	-187	- 30	- 30
	On hand, cumulative, end of year	2,625	2,595	2,565
	Consisting of:			
	a. Suitable for planning	842	797	767
	b. Not suitable for planning	0	0	0
	c. Authorized for planning	1,783	1,798	1,798
2.	Status of planning:			
	Authorized, cumulative, start of year	1,774	1,783	1,798
	LESS:			

Activity	1979 Actual	1980 Estimate	1981 Estimate
Suspended or terminated, cumulative, start of year	364	390	401
Completed, cumulative, start of year	1,229	1,243	1,263
Planning in process, start of year	181	150	134
New authorizations during year	9	15	0
LESS:			
Suspended or terminated during year	26	11	11
Completions during year	14	20	10
Planning in process, end of year	150	134	113

Watershed Planning Progress by State

Following is a table showing by State the number of applications received in the Department, the number authorized for planning assistance, and the number of work plans completed as of September 30, 1979.

State	Work Applications Received		Planning Authorized		Plans Completed	
	No.	Acres (1000)	No.	Acres (1000)	No.	Acres (1000)
Alabama	69	4,552	44	3,028	32	2,093
Alaska	2	204	0	0	0	0
Arizona	27	2,759	18	1,931	13	1,136
Arkansas	96	8,128	76	6,565	57	3,613
California	80	5,591	48	3,214	22	931
Caribbean Area	6	342	5	292	3	252
Colorado	53	3,998	33	2,161	18	1,066
Connecticut	23	366	16	287	11	204
Delaware	5	351	5	351	4	282
Florida	42	2,946	33	2,381	20	1,231
Georgia	97	6,985	75	5,266	62	3,861
Hawaii	12	542	11	525	8	475
Idaho	22	1,751	21	1,736	6	303
Illinois	66	4,424	43	2,709	20	1,128
Indiana	96	7,357	57	4,395	36	2,288
Iowa	93	3,207	56	1,167	45	880
Kansas	99	11,200	70	7,309	52	5,204
Kentucky	60	3,727	44	2,856	33	2,142
Louisiana	73	8,488	53	6,227	38	4,570
Maine	29	1,856	18	1,055	10	520
Maryland	39	1,618	30	1,038	18	400
Massachusetts	19	714	16	603	11	459
Michigan	29	1,608	27	1,438	20	864
Minnesota	48	4,146	27	2,328	17	1,396
Mississippi	88	6,647	68	5,437	53	3,948
Missouri	82	7,040	34	2,442	21	1,010
Montana	48	3,524	26	1,630	14	637
Nebraska	79	6,968	58	3,935	44	2,794
Nevada	29	3,646	15	2,060	5	388
New Hampshire	13	1,039	12	1,021	7	457
New Jersey	22	400	17	376	12	253
New Mexico	69	6,317	39	3,048	28	1,682
New York	37	1,972	22	1,182	19	875
North Carolina	77	5,007	60	3,313	45	1,980
North Dakota	37	5,479	29	4,535	18	2,518
Ohio	41	4,779	25	2,269	16	1,139
Oklahoma	112	11,774	75	7,788	66	6,439

State	Work Applications Received		Planning Authorized		Plans Completed	
	No.	Acres (1000)	No.	Acres (1000)	No.	Acres (1000)
Oregon	38	4,280	24	2,324	15	969
Pennsylvania	46	2,113	33	1,875	24	1,183
Rhode Island	2	104	2	104	0	0
South Carolina	54	2,731	48	2,559	38	1,679
South Dakota	27	2,417	22	1,623	14	525
Tennessee	88	4,331	52	2,549	35	1,464
Texas	135	13,939	107	11,335	89	9,093
Utah	41	4,388	22	2,247	12	1,306
Vermont	11	822	10	804	4	63
Virginia	62	2,960	37	2,041	30	1,645
Washington	50	2,891	23	1,032	13	290
West Virginia	56	2,154	37	1,338	27	967
Wisconsin	48	2,604	36	2,173	25	1,308
Wyoming	48	5,467	24	1,979	13	615
Cumulative Totals thru 9/30/79	2,625	202,653	1,783	131,881	1,243	80,525

Sharing Watershed Planning Costs

Watershed planning staffs are available to assist local organizations in all States except Alaska. A number of States that are undertaking River Basin Surveys under authority of Section 6 of Public Law 566 have integrated their regular watershed planning staff with the river basin survey staff. This permits efficient use of technical personnel to accomplish both activities. The size of the planning staffs varies according to the workload in each State. Watershed Planning funds averaged approximately $208,200 per State in 1979, ranging from about $20,000 to $518,000.

In fiscal year 1979, State legislatures and other local organized units in States and Puerto Rico appropriated or otherwise provided about $3.0 million to finance watershed planning activities. This local input was through advances, reimbursements, State-controlled watershed planning parties, or personnel provided by the States to work with Service watershed planning staffs.

The current total cost per watershed plan is estimated at $250,000 of which $190,000 is Federal. About 10 staff-years of Federal employment are required per plan.

Watershed planning funds obligated and staff-years used in 1979 by State were:

State	Direct Obligations	(In thousands of dollars) Staff-Years	State	Direct Obligations	Staff-years
Alabama	290	11.8	Nebraska	870	22.3
Arizona	358	7.5	Nevada	--	--
Arkansas	186	9.1	New Hampshire	18	.6
California	247	8.2	New Jersey	41	1.3
Caribbean Area	20	1.3	New Mexico	42	1.8
Colorado	96	3.5	New York	184	6.2
Connecticut	123	4.5	North Carolina	276	10.1
Delaware	48	2.8	North Dakota	119	3.1
District of Columbia	1,175	25.1	Ohio	236	9.0
			Oklahoma	485	17.2

(In thousands of dollars)

State	Direct Obligations	Staff-Years	State	Direct Obligations	Staff-years
Florida	80	2.2	Oregon	493	16.8
Georgia	96	3.3	Pennsylvania	732	23.2
Hawaii	68	2.5	Rhode Island	--	--
Idaho	105	3.7	South Carolina	144	5.2
Illinois	201	6.2	South Dakota	160	5.3
Indiana	285	9.6	Tennessee	182	6.0
Iowa	213	6.5	Texas	987	36.3
Kansas	455	15.5	Utah	135	5.0
Kentucky	70	2.9	Vermont	173	2.5
Louisiana	257	9.6	Virginia	361	8.6
Maine	127	5.1	Washington	183	5.8
Maryland	225	8.6	West Virginia	303	12.3
Massachusetts	55	2.1	Wisconsin	109	3.5
Michigan	111	3.7	Wyoming	129	4.5
Minnesota	209	6.8	Total, Watershed Planning, SCS	12,168	392.3
Mississippi	181	7.7	Allocation acc.	560	17.0
Missouri	348	9.6	Total, Watershed Planning	12,728	409.3
Montana	177	6.3			

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Watershed and Flood Prevention Operations

For necessary expenses to carry out preventive measures, including but not limited to research, engineering operations, methods of cultivation, the growing of vegetation, and changes in use of land,in accordance with the Watershed Protection and Flood Prevention Act, approved August 4, 1954, as amended (16 U.S.C. 1001-1005, 1007-1009), the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-f), and in accordance with the provisions of laws relating to the activities of the Department, [$167,524,000] $172,160,000 (of which [$18,500,000] $19,860,000 shall be available for the watersheds authorized under the Flood Control Act, approved June 22, 1936 (33 U.S.C. 701, 16 U.S.C. 1006a), as amended and supplemented): Provided, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $10,000,000 shall be available for emergency measures as provided by sections 403-405 of the Agricultural Credit Act of 1978 (16 U.S.C. 2203-2205) and not to exceed $200,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That [$26,000,000] $20,000,000 in loans may be insured, or made to be sold and insured, under the Agricultural Credit Insurance Fund of the Farmers Home Administration (86 Stat. 663): Provided further, That not to exceed $1,000,000 of this appropriation is available to carry out the purposes of the Endangered Species Act of 1973 (Public Law 93-205), as amended, including cooperative efforts as comtemplated by that Act to relocate endangered or threatened species to other suitable habitats as may be necessary to expedite project construction.

Watershed and Flood Prevention Operations

	Watersheds Authorized by PL-534	Emergency Watershed Operations	Small Watersheds Authorized by PL-566	Total Watershed and Flood Prevention
Appropriation Act, 1980	$18,500,000	$10,000,000	$139,024,000	$167,524,000
Budget Estimate, 1981	19,860,000	10,000,000	142,300,000	172,160,000
Increase in Appropriation	$+1,360,000	$ - -	$+3,276,000	$+4,636,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1980 Estimated	Program Changes	1981 Estimated
Watershed and Flood Prevention Operations:			
1. Watershed operations authorized by PL-534	$18,500,000	$+1,360,000	$19,860,000
2. Emergency watershed protection operations	10,000,000	- -	10,000,000
3. Small watersheds authorized by PL-566	139,024,000	+3,276,000	142,300,000
TOTAL AVAILABLE	$167,524,000	$+4,636,000 a/	$172,160,000

a/ Includes a total increase of $11,275,000 toward increased operating costs in order to sustain performance levels for continuing programs. Includes a total increase of $3,500,000 for the portion of pay increases effective in FY 1980 which were absorbed in FY 1980 but which are necessary to carry out the programs proposed for FY 1981.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1979 Actual	1980 (estimate)	Increase or Decrease	1981 (estimate)
1. Watershed operations authorized by PL-534:				
(a) Planning	$ 1,300,000	$ 1,000,000	$ +100,000	1,100,000
(b) Technical assistance	11,700,000	9,064,000	+636,000	9,700,000
(c) Financial assistance for construction:				
Direct Federal contracting	8,783,000	6,004,000	+448,000	6,452,000
Payment for contracting by local sponsors	1,515,000	2,221,000	+165,000	2,386,000
(d) Loan services	202,000	211,000	+11,000	222,000
Subtotal, flood prevention	23,500,000	18,500,000	+1,360,000(1)	19,860,000
2. Emergency Watershed Protection Operations	10,000,000	10,000,000	- -	10,000,000

Project	1979 Actual	1980 (estimate)	Increase or Decrease	1981 (estimate)
3. Small watersheds authorized by PL-566:				
(a) Technical assistance	$43,700,000	$48,511,000	$ +312,000	$48,823,000
(b) Financial assistance for construction:				
Direct Federal contracting	31,200,000	44,389,000	+1,460,000	45,849,000
Payment for contracting by local sponsors	60,824,000	45,704,000	+1,504,000	47,208,000
(c) Loan services	383,000	420,000	- -	420,000
Subtotal, small watershed operations	136,107,000	139,024,000	+3,276,000(2)	142,300,000
Total available or estimate	169,607,000	167,524,000	$+4,636,000	$172,160,000
Total, appropriation	$169,607,000	$167,524,000		

PROJECT STATEMENT
(On basis of available funds)

Project	1979 Actual	1980 (estimate)	Increase or Decrease	1981 (estimate)
Direct obligations:				
1. Watershed operations authorized by PL-534:				
(a) Planning	$ 1,528,618	$ 1,336,000	$ -236,000	$ 1,100,000
(b) Technical assistance	13,757,559	11,921,726	-2,221,726	9,700,000
(c) Financial assistance for construction:				
Direct Federal contracting	10,450,220	7,912,230	-1,460,230	6,452,000
Payment for contracting by local sponsors	3,900,915	2,926,000	-540,000	2,386,000
(d) Loan services	202,000	211,000	+11,000	222,000
Subtotal, flood prevention	29,839,312	24,306,956	-4,446,956	19,860,000
2. Emergency Watershed Protection Operations .	77,672,671	37,638,526	-27,638,526	10,000,000
3. Small watersheds authorized by PL-566:				
(a) Technical assistance	48,393,545	50,592,917	-1,769,917	48,823,000
(b) Financial assistance for construction:				
Direct Federal contracting	48,811,862	46,293,000	-444,000	45,849,000
Payment for contracting by local sponsors	50,250,244	47,665,000	-457,000	47,208,000
(c) Loan services	383,000	420,000	- -	420,000
Subtotal, small watershed operations	147,838,651	144,970,917	-2,670,917	142,300,000
Total direct obligations ..	255,350,634	206,916,399	-34,756,399	172,160,000
Unobligated balance brought forward	(-125,136,033)	(-39,392,399)	(+39,392,399)	- -
Unobligated balance carried forward	(+39,392,399)	- -	- -	- -
Adjusted appropriation	(169,607,000)	(167,524,000)	(+4,636,000)	(172,160,000)

Project	1979 Actual	1980 (estimate)	Increase or Decrease	1981 (estimate)
Reimbursable obligations:				
1. Watershed operations authorized by PL-534:				
(a) Planning	- -	- -	- -	- -
(b) Technical assistance	322,147	- -	- -	- -
(c) Financial assistance for construction:				
Direct Federal contracting	741,082	125,000	- -	125,000
Payment for contracting by local sponsors	- -	- -	- -	- -
(d) Loan services	- -	- -	- -	- -
Subtotal, flood prevention	1,063,229	125,000	- -	125,000
2. Emergency Watershed Protection Operations	565,839	- -	- -	- -
3. Small watersheds authorized by PL-566:				
(a) Technical assistance	378,960	400,000	- -	400,000
(b) Financial assistance for construction:				
Direct Federal contracting	1,326,440	1,575,000	- -	1,575,000
Payment for contracting by local sponsors	- -	- -	- -	- -
(c) Loan services	- -	- -	- -	- -
Subtotal, small watershed operations	1,705,400	1,975,000	- -	1,975,000
Total, reimbursable obligations	3,334,468	2,100,000	- -	2,100,000
Obligational authority	$258,685,102	$209,016,399	$-34,756,399	$174,260,000
SOURCES OF REIMBURSEMENTS				
Within USDA:				
From Interagency Accounts	$ 224,776	$ 245,000	$ - -	$ 245,000
From Other USDA Agencies	135,947	14,000	- -	14,000
Other Federal Agencies	253,475	26,000	- -	26,000
Non-Federal Sources	2,720,270	1,815,000	- -	1,815,000
Total reimbursements	$ 3,334,468	$ 2,100,000	$ - -	$ 2,100,000
OUTLAYS				
1. Watershed operations authorized by PL-534:				
(a) Planning	$ 1,456,351	$ 1,193,000	$ +88,000	$ 1,281,000
(b) Technical assistance	13,107,162	10,748,000	+781,000	11,529,000
(c) Financial assistance for construction:				
Direct Federal contracting	8,698,389	7,126,000	+525,000	7,651,000
Payment for contracting by local sponsors	3,217,213	2,635,000	+195,000	2,830,000
(d) Loan services	202,000	211,000	+11,000	222,000
Subtotal, flood prevention	26,681,115	21,913,000	+1,600,000	23,513,000
2. Emergency Watershed Protection Operations	69,430,241	10,137,000	-137,000	10,000,000

Project	1979 Actual	1980 (estimate)	Increase or Decrease	1981 (estimate)
3. Small watersheds authorized by PL-566:				
(a) Technical assistance	46,110,554	58,528,000	-3,838,000	54,690,000
(b) Financial assistance for construction:				
Direct Federal contracting	42,191,815	53,553,000	-2,763,000	50,790,000
Payment for contracting by local sponsors	43,442,070	55,141,000	-2,846,000	52,295,000
(c) Loan services	383,000	420,000	- -	420,000
Subtotal, small watershed operations	132,127,439	167,642,000	-9,447,000	158,195,000
Total outlays	$228,238,795	$199,692,000	$-7,984,000	$191,708,000

EXPLANATION OF PROGRAM

The appropriation "Watershed and Flood Prevention Operations" funds those activities authorized by the Watershed Protection and Flood Prevention Act as amended (16 U.S.C. 1001-1005, 1007-1008) and the Flood Control Act, as amended and supplemented (33 U.S.C. 701, 16 U.S.C. 1006a) and Sections 403-405 of the Agricultural Credit Act of 1978 (16 U.S.C. 2203-2205), which relate to installation of individual watershed projects, flood prevention subwatershed projects, and emergency watershed protection. Activities include:

Watershed Operations Authorized by PL-534

The planning criteria, economic justifications, local sponsorship requirements, cost-sharing criteria, and other policies and procedures used in the Flood Prevention Program have been adjusted to generally parallel those of the Watershed Protection Program.

The Department helps install watershed improvement measures to reduce flood, sediment, and erosion damages; further the conservation, development, utilization, and disposal of water; further the conservation and proper utilization of land; and other measures incorporated in subwatershed work plans. The following table shows the status of subwatershed work plans:

Subwatersheds Status	1979	1980	1981
In construction	112	121	120
Completed construction	176	177	182
Not started construction	110	100	96
Total subwatersheds	398	398	398

Emergency Watershed Protection Operations

Funding authority for FY 1981 is requested under Sections 403-405 of the Agricultural Credit Act of 1978. Funding is for such emergencies for runoff retardation and soil erosion prevention as may be needed to safeguard life and property from floods and the products of erosion on any watershed whenever flood, fire, drought, or any other natural element causes a sudden impairment of the watershed. The Department administers the program by providing technical assistance and arranging with local contractors to install most of the required measures.

Small Watershed Operations Authorized by PL-566

The Department provides technical and financial assistance to local organizations to install the watershed works of improvement for watershed protection, flood prevention, agricultural water management, recreation, and fish and wildlife development, and other authorized features specified in the work plans.

The following table shows the status of PL-566 watershed projects:

Status of Operational Projects	1979	1980	1981
Projects in pre-construction	158	158	173
Projects under construction end-of-year	420	421	394
Projects with construction completed, continuing land treatment	35	40	40
Projects completed	498	525	553
Projects not requiring funds	111	103	112
Total operational projects	1,222	1,247	1,272

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $1,360,000 for watershed operations authorized by PL-534 consisting of:

(a) An increase of $1,165,000 for operating costs. This increase will provide for increased costs associated with the completion of sub-watershed projects currently in construction.

(b) An increase of $695,000 for pay costs.

(c) A program decrease of $500,000.

Need for Change. The highest priority projects under the program have been installed. About 75 percent of the identified workload, consisting of the most urgently needed, technically feasible, and having local support, have been completed. Therefore, it is felt that some funds can be directed to other priority work. Sufficient funds are requested to move toward completion of work underway.

Nature of Change. New construction starts will not be initiated. Efforts will be concentrated on the completion of work already started.

(2) An increase of $3,276,000 for small watersheds authorized by PL-566 consisting of:

(a) An increase of $10,110,000 for operating costs. This increase will provide for increased costs associated with continuing ongoing construction in small watersheds at the current rate, thus reducing the likelihood of further costly delays in construction schedules because of the lack of available funds to execute construction contracts.

(b) An increase of $2,805,000 for pay costs.

(c) A program decrease of $9,639,000.

Need for Change. Consistent with the Administration's government-wide policy regarding water resources construction projects, there will be no new construction starts in small watershed projects during FY 1981 in order to apply all available resources to earlier completion of ongoing construction and insure fulfillment of Federal commitments already made to local watershed sponsors.

Nature of Change. No new construction will be initiated in small watershed projects during FY 1981. Ongoing construction will continue at a slightly accelerated rate with an increase in project completions beginning in 1981.

Distribution of Funds for Watershed Operations Authorized by PL-534, by Project

The following table shows obligations in 1979 and estimated obligations in 1980 and 1981 in the authorized flood prevention projects (the Buffalo Creek Watershed in New York was completed in 1964).

Flood Prevention Projects	1979 Obligations	Unobligated Balances Brought Forward From 1979	1980 Appropriation (adjusted)	Appropriation Request 1981
Colorado (Middle), Texas	$ 2,473,394	$ 69,652	$ 570,000	[1]$ 1,209,000
Coosa, Georgia, Tennessee	95,139	- -	- -	- -
Little Sioux, Iowa	1,475,364	109,603	1,145,000	1,012,000
Little Tallahatchie, Mississippi .	2,635,535	886,642	1,456,000	1,361,000
Los Angeles, California	1,102,906	- -	1,068,000	1,104,000
Potomac, Maryland, Pennsylvania, Virginia, West Virginia	2,518,505	1,264,564	3,323,000	1,165,000
Santa Ynez, California	1,353,897	384,545	927,000	1,821,000
Trinity, Texas	6,210,710	166,293	3,202,000	4,161,800
Washita, Oklahoma, Texas	5,249,876	377,648	2,263,000	3,423,200
Yazoo, Mississippi	6,521,986	2,548,009	4,335,000	4,381,000
Subtotal, Authorized Projects ..	29,637,312	5,806,956	18,289,000	19,638,000
Loan Services	202,000	- -	211,000	222,000
Total, Flood Prevention Projects .	$29,839,312	$5,806,956	$18,500,000	$19,860,000

STATUS OF PROGRAM

Watershed operations authorized by Public Law 534, the Flood Control Act of 1944, authorizes the Secretary of Agriculture to install watershed improvement measures to reduce flood, sedimentation, and erosion damages; further the conservation, development, utilization, and disposal of water, and the conservation and proper utilization of land. Flood prevention work is authorized in the eleven watersheds designated in the Flood Control Act of December 22, 1944.

Emergency Watershed Protection. Emergency watershed protection assistance is provided to reduce hazards to life and property in watersheds damaged by severe natural events. An emergency is considered to exist when a watershed is suddenly impaired by flood, fire, drought or other natural causes which results in life and property being endangered by flooding, erosion, or sediment discharge.

The emergency area need not be declared a national disaster area to be eligible for technical and financial assistance. Emergency watershed protection is applicable to small scale localized disasters as well as disasters of national magnitude.

Funding authority for FY 1981 is requested under Sections 403-405 of the Agricultural Credit Act of 1978.

Watershed Projects authorized by Public Law 566. The Watershed Protection and Flood Prevention Act of 1954, provides for cooperation between the Federal government and the States and their political subdivisions in a program to prevent erosion, floodwater, and sediment damages in the watersheds of rivers and streams; to further the conservation, development, utilization, and disposal of water; and to further the conservation and proper utilization of land.

The flood prevention (PL-534) and the watershed (PL-566) programs have similar objectives. The planning criteria, economic justifications, local sponsorship requirements, cost-sharing criteria, structural limitations, and other policies and procedures used in flood prevention projects have been adjusted to generally parallel those used in watershed protection projects.

Current activities:

1. Technical and financial assistance for construction includes:

   a. Land treatment measures: Assurance that a program of proper land use and treatment will be carried out is a basic requirement for assistance in the development of flood prevention subwatersheds or watershed projects. The Department furnishes landowners and operators technical assistance to accelerate the planning and application of land treatment measures which help achieve project objectives. This assistance is in addition to that received under other conservation programs. Certain types of land treatment measures are required to be installed to achieve justified offsite flood prevention benefits. When such measures provide small or long-deferred benefit to the landowner, the installation cost is shared with Federal funds.

      The cost of applying such measures may be paid for in part by the Department. The rate of financial assistance may not exceed the rate of assistance for similar practices under

other conservation programs of the Department. This work is accomplished through project agreements with local sponsoring organizations. The local sponsors arrange for and accomplish the work by contract or force account. Payments are made by the Federal government to the local sponsoring organizations as the land treatment measures are installed.

b. Structural measures: Floodwater retarding structures, stream channel work, stabilizing and sediment control structures, water storage structures, and other structures are integral parts of watershed protection. Detailed construction plans, designs and specifications are prepared for these measures by the Department or by private engineers employed by the local sponsoring organization or the Department.

The Federal government provides all construction funds for structural measures for flood prevention and an equitable share of the cost of installing works of improvement for agricultural water management, fish and wildlife, or recreational development. The latter includes the cost of basic facilities for public health and safety, access to recreational areas, and use of the recreational development. Local organizations must pay all costs of works of improvement for other purposes. In addition, local organizations must acquire water rights and furnish land, easements, and rights-of-way for all structural measures. However, up to one-half the cost of land, easements, and rights-of-way allocated to public fish and wildlife and recreational developments may be paid with PL-534 or PL-566 funds. In PL-566 watersheds, local organizations must also administer construction contracts, unless they request SCS to do the contracting. Local organizations must also operate and maintain the completed works of improvement on non-Federal lands.

Advances may be made to local sponsoring organizations to provide for immediate acquisition of easements and rights-of-way. Also, advances may be made to provide up to 30 percent of the total estimated cost of a proposed impounding structure when such structures are to be used for additional storage of water to meet anticipated future demands for municipal and industrial uses. In each case, advances must be repaid with interest. Advances for preservation of structure sites must be repaid before construction starts.

In PL-534 subwatersheds, the Department usually does the contracting. In PL-566 watersheds, funds for installation of planned structural measures on non-Federal lands are provided to local organizations under the terms and conditions set forth in project agreements. Federal agencies carry out the watershed construction program on Federal lands which they administer.

Engineering assistance is provided for flood prevention, agricultural water management, and for water resource development or improvement for public fish and wildlife and recreational purposes, either directly by the Federal government or by the local organizations with advances or reimbursement from the Federal government. The Department may also supply up to one-half the cost of engineering assistance required for the installation of basic facilities for public fish and wildlife and recreational development.

c. Non-structural measures: Where practical, non-structural measures are used in lieu of structural measures or a combination of structural and non-structural measures may be installed as part of the watershed works of improvement.

Non-structural measures can consist of flood proofing buildings located in a flood plain, zoning or otherwise controlling certain flood plain areas to restrict further development, removal of buildings from the flood area, and other similar measures.

Financial assistance to local sponsoring organizations for installation of non-structural measures is provided in the same manner as for installation of structural measures. Cost sharing for installation of non-structural measures is 80 percent Federal and 20 percent local.

2. Detailed subwatershed work plans are prepared for PL-534 flood prevention projects in cooperation with soil conservation districts and other local sponsoring organizations. These plans outline soil and water management problems in subwatersheds, what is proposed to be done to alleviate these problems, the estimated benefits and costs, cost-sharing, and operation and maintenance arrangements.

3. Program evaluation studies are carried out in selected watershed projects to assess effectiveness of structural and land treatment measures installed and assure safe and reasonable design.

4. Loans and loan services are provided to finance the local share of the costs of installing planned works of improvement. Repayment with interest is required within 50 years after the principal benefits of improvements first become available. Loans are financed from the Agricultural Credit Insurance Fund of the Farmers Home Administration.

5. Emergency measures: This authority permits installation of emergency measures for immediate protection of life or property from flooding, erosion, or sedimentation damage until long-range practices can become effective. Emergency work includes but is not limited to establishing quick vegetative cover on denuded land, the sloping of steep and eroding banks, opening dangerously restricted channels, repairing diversions and levees, and other emergency work. This work is done to the extent funds are available. Prompt action to alleviate hazardous watershed conditions is essential. Flooding or wind erosion can cause extensive damage to impaired watersheds left unprotected. The Soil Conservation Service administers the program, provides technical assistance, and arranges with local contractors to do the installation work. The Forest Service is responsible for installing measures on the national forest reserve.

Program Assignments

The Soil Conservation Service has general responsibility for administration of the Watershed Protection and Flood Prevention Act and the work authorized under the Flood Control Act. This includes responsibility for the installation of land treatment measures and structural works of improvement in authorized watersheds on non-Federal land and on Federal lands by arrangement with the administering agency.

The Forest Service is responsible for installing planned land treatment measures and certain structural works on national forests and other lands administered by the Forest Service in authorized projects. It is

also responsible, in cooperation with and through State and local agencies, for the installation of planned forestry measures on forest lands within projects.

The Forest Service does emergency work on national forest reserve lands and on adjacent land which they administer under formal agreement.

The Economic, Statistics and Cooperatives Service makes special economic analyses of watershed or subwatershed projects.

Farmers Home Administration has responsibility for administration of Sections 4 and 8 of the Act as they relate to loans and advances to local organizations.

The Science and Education Administration carries out trap efficiency studies to determine water and sediment outflow from reservoirs for use in designing floodwater retarding structures.

The Department of Interior's Bureau of Land Management and Bureau of Indian Affairs participate in the installation of works of improvement on lands under their jurisdiction.

The following table shows the funds obligated for PL-534 watershed operations, emergency operations, and PL-566 small watersheds in FY 1979 and estimates for FY 1980 and FY 1981. (Excludes loan funds.)

Program and Agency	1979 Obligations	1980 Estimate	1981 Estimate
PL-534 Watershed Operations:			
Soil Conservation Service....	25,547,145	20,145,956	15,553,800
Economics, Statistics & Cooperative Service.....	60,000	48,000	51,200
Forest Service.....	4,030,167	3,902,000	4,033,000
Farmers Home Administration...	202,000	211,000	222,000
Total PL-534, Watershed Operations.....	29,839,312	24,306,956	19,860,000
Emergency Operations:			
Soil Conservation Service.....	74,267,671	31,666,995	10,000,000
Forest Service.....	3,405,000	5,971,531	---
Total Emergency Operations....	77,672,671	37,638,526	10,000,000
PL-566 Small Watersheds:			
Soil Conservation Service.....	146,795,184	143,466,617	140,795,700
Economics, Statistics and Cooperative Service.....	110,946	102,300	102,300
Forest Service.....	549,521	982,000	982,000
Farmers Home Administration...	383,000	420,000	420,000
Total PL-566 Small Watersheds	147,838,651	144,970,917	142,300,000

Watershed Operations Authorized by PL-534 (Flood Prevention Operations)

Because the authorized flood prevention projects include relatively large areas, work plans are developed on a subwatershed basis. As of September 30, 1979, the total planning job was about 82 percent completed, with 325 work plans completed that include 23,011,262 acres. The following table summarizes the status of subwatershed planning by authorized project:

Flood Prevention Projects	Total Authorized Area	Subwatershed and other areas with planning potential		Subwatershed and other work plans prepared to 9/30/79	
	Acres	No.	Acres	No.	Acres
Buffalo Creek, NY a/...	279,680	3	279,680	3	279,680
Colorado (Middle), TX..	4,613,120	17	4,357,000	17	3,671,120
Coosa, GA.....	1,339,400	16	1,339,400	16	1,174,650
Little Sioux, IA.....	1,740,800	126	389,954	90	277,019
Little Tallahatchie, MS	963,977	18	562,876	18	562,876
Los Angeles, CA.....	536,960	13	301,731	13	301,731
Potomac, W. VA & VA....	4,205,400	23	2,381,429	17	1,386,108
Santa Ynez, CA.....	576,000	6	368,550	6	368,550
Trinity, TX.....	8,424,260	41	7,166,320	31	6,830,660
Washita, TX & OK.....	5,095,040	61	5,095,040	57	5,095,040
Yazoo, MS.....	3,942,197	74	3,746,379	57	3,063,828
TOTAL.....	31,716,834	398	25,988,359	325	23,011,262

a/ The Buffalo Creek Watershed was completed and closed in 1964.

b/ Excludes 96,501 acres of Sardis Reservoir area, and 304,000 acres in minor watersheds needing only land treatment measures.

c/ Includes national forest and other lands, for which the Forest Service has been assigned program responsibility.

d/ Excludes 195,818 acres of reservoir area.

The estimated Federal cost for each watershed adjusted to reflect installation of fish and wildlife and recreational developments and future water supplies under provisions of recent amendments to the Watershed Protection and Flood Prevention Act and total Federal obligations through FY 1979 are:

Flood Prevention Project	Estimated Total Federal Cost 1/	Total Obligations September 30, 1979
Buffalo Creek Watershed, New York (Complete).....	4,615,182	4,615,182
Middle Colorado River Watershed, Texas.....	66,849,000	41,018,278
Coosa River Watershed, Georgia and Tennessee.....	19,270,000	16,248,768
Little Sioux River Watershed, Iowa..	72,601,000	30,417,439
Little Tallahatchie River Watershed, Mississippi.....	41,122,000	35,193,108
Los Angeles River Watershed, California.....	102,502,000	43,821,786
Potomac River Watershed, Maryland, Pennsylvania, Virginia, West Virginia.....	55,375,000	47,227,495
Santa Ynez River Watershed, California.....	20,297,000	14,304,304
Trinity River Watershed, Texas.....	177,878,000	114,474,808
Washita River Watershed, Oklahoma and Texas.....	126,861,000	114,074,526
Yazoo River Watershed, Mississippi..	126,660,000	106,564,055
TOTAL.....	814,030,182	567,959,749

1/ Based on 1979 prices

Distribution of Funds for Watershed Operations Authorized by PL-534, by Agency and Project

The following table shows obligations in 1979 and estimates for 1980 and 1981 for each of the operating watersheds (the Buffalo Creek Watershed in New York was completed in 1964).

	1979 Obligations	Brought Forward from 1979	1980 Appropriation (adjusted)	Estimated Obligations 1980	Budget Estimate 1981
		SOIL CONSERVATION SERVICE			
Colorado (Middle), Texas.....	2,473,394	69,652	570,000	639,652	1,209,000
Coosa, Georgia, Tennessee....	95,139	--	--	--	--
Little Sioux, Iowa.....	1,458,012	109,603	1,128,000	1,237,603	995,000
Little Tallachatchie, Mississippi.....	2,301,491	886,642	1,133,000	2,019,642	1,027,000
Los Angeles, California.....	--	--	--	--	--
Potomac, Maryland, Pennsylvania, Virginia, West Virginia.....	2,307,865	1,264,564	3,119,000	4,383,564	954,000
Santa Ynez, California.....	735,275	384,545	328,000	712,545	1,202,000
Trinity, Texas.....	6,153,659	166,293	3,147,000	3,313,293	4,104,800
Washita, Oklahoma, Texas.....	5,094,948	377,648	2,123,000	2,500,648	3,277,000
Yazoo, Mississippi.....	4,927,362	2,548,009	2,791,000	5,339,009	2,785,000
Subtotal, flood prevention projects, Soil Conservation Service.....	25,547,145	5,806,956	14,339,000	20,145,956	15,553,800
		ECONOMICS, STATISTICS, AND COOPERATIVE SERVICE			
Works of improvement (evaluation studies of economic impact of project), ESCS:					
Washita, Oklahoma, Texas....	60,000	--	48,000	48,000	51,200

	1979 Obligations	Brought Forward from 1979	1980 Appropriation (adjusted)	Estimated Obligations 1980	Budget Estimate 1981
		FOREST SERVICE			
Colorado (Middle), Texas....	--	--	--	--	--
Coosa, Georgia, Tennessee...	--	--	--	--	--
Little Sioux, Iowa.....	17,352	--	17,000	17,000	17,000
Little Tallahatchie, Mississippi.....	334,044	--	323,000	323,000	334,000
Los Angeles, California.....	1,102,906	--	1,068,000	1,068,000	1,104,000
Potomac, Maryland, Pennsylvania, Virginia West Virginia.....	210,640	--	204,000	204,000	211,000
Santa Ynez, California.....	618,622	--	599,000	599,000	619,000
Trinity, Texas.....	57,051	--	55,000	55,000	57,000
Washita, Oklahoma, Texas....	94,928	--	92,000	92,000	95,000
Yazoo, Mississippi.....	1,594,624	--	1,544,000	1,544,000	1,596,000
Subtotal, flood prevention Projects, Forest Service.	4,030,167	--	3,902,000	3,902,000	4,033,000
		FARMERS HOME ADMINISTRATION			
Loan services for flood prevention projects, Farmers Home Administration.....	202,000	--	211,000	211,000	222,000
Total, flood prevention projects	29,839,312	5,806,956	18,500,000	24,306,956	19,860,000

Small Watershed Operations Authorized by PL-566

Watershed plans involving an estimated Federal contribution in excess of $1,000,000 for construction, or construction of any single structure having a capacity in excess of 2,500 acre feet, require Congressional committee approval. Other plans are approved administratively. After approval, technical and financial assistance can be provided for installation of works of improvement specified in the plans.

Project sponsors are provided assistance in installing planned land treatment measures when plans are approved. Surveys and investigations are made and detailed designs, specifications, and engineering cost estimates are prepared for construction of structural measures. Areas where sponsors need to obtain land rights, easements, and rights-of-way are delineated. Technical assistance is also furnished to landowners and operators to accelerate planning and application of needed conservation on their individual units.

Incremental Funding

The project enters construction when the first project agreement for construction of works of improvement is signed. Under a project agreement, the sponsoring local organization agrees to construct a single or an interrelated group of structures. The government and the sponsoring local organization agree to share the construction costs as specified in the work plan. Engineering and other assistance are provided for preparation of contracts and inspection of construction.

When the local organization does the contracting, payments are made to them as the work progresses in accordance with the terms of the project agreement. When the local organization requests the SCS to do the contracting for works of improvement, the SCS makes payments directly to the contractor as the work progresses. Payments include amounts financed from Federal funds and contributions received from local organizations for their share of construction costs.

In fiscal year 1979, 25 projects were approved for operation which brought to 1,222 the total number of projects approved as of September 30, 1979. Of the 748 projects in operation in 1979, 158 were receiving preconstruction land treatment and engineering services, and 420 were in construction at the end of the year. Twenty-four projects were completed in 1979 which brought the total number completed to 498 as of September 30, 1979. Land treatment assistance was continued on 35 projects on which construction has been completed prior to 1979. One hundred and eleven of the approved projects did not require Federal funds during the fiscal year 1979 because of project inactivity.

PL-566 Project Activity and Obligations

The following table shows the status of Public Law 566 projects by stage of assistance and amounts obligated or estimated to be obligated. Also shown are minor obligations for project evaluation studies, advances for future water supply, and balance remaining in the undistributed equipment account.

	1979	Estimate	1980	Estimate	1981	Estimate
	Number	Dollars in Thousands	Number	Dollars in Thousands	Number	Dollars in Thousands
1. Projects approved for operation and estimated cost of completion:						
(a) Uncompleted projects at beginning of year	723	1,241,414	724	1,193,877	722	1,158,659
(b) Projects approved during year	25	99,534	25	108,791	25	118,015
Total	748	1,340,948	749	1,302,668	747	1,276,674
2. Status of projects and amounts obligated:						
(a) Projects inactive end of year	111	--	103	--	112	--
(b) Projects receiving preconstruction land treatment and engineering services	158	3,206	158	3,504	173	4,155
(c) Projects moved into construction during year	8	1,759	25	12,442	0	--
(d) Prior year projects continuing construction and land treatment	412	140,770	396	126,399	394	133,013
(e) Projects with construction completed continuing land treatment	35	1,159	40	1,447	40	1,567
(f) Projects completed during year	24	177	27	217	28	2,603
Subtotal	748	147,071	749	144,009	747	141,338
3. Obligations not included above:						
(a) Advances for future water supply	--	274	--	440	--	440
(b) Project evaluation studies	--	111	--	102	--	102
(c) Loan services	--	383	--	420	--	420
Total	748	147,839	749	144,971	747	142,300
4. Uncompleted projects (cumulative) at end of year						
(a) Obligations to date.	724	1,185,476	722	1,282,556	719	1,371,188
(b) Estimated cost of completion		1,193,877		1,158,659		1,135,336
5. Projects Completed (cumulative and total cost)	498	424,586	525	471,515	553	524,221

	1979	Estimate	1980	Estimate	1981	Estimate
		Dollars in		Dollars in		Dollars in
	Number	Thousands	Number	Thousands	Number	Thousands
6. Total projects approved (cumulative and total cost)	1,222	2,803,939	1,247	2,912,730	1,272	3,030,745
7. Obligations (cumulative):						
Projects	--	1,610,062	--	1,754,071	--	1,895,409
Other	--	7,360	--	8,322	--	9,284
TOTAL	1,222	1,617,422	1,247	1,762,393	1,272	1,904,693

Obligations Related to PL-566 Watershed Projects

The following tabulation shows by State descriptive information concerning the extent of the program and rate of progress in obligating funds for the installation of works of improvement in PL-566 watersheds. These are multi-State projects. Obligations and staff-years are distributed between the States as applicable.

State	Number Projects Approved 9/30/79	Total Federal Obligations FY 1979	FY 1979 Federal Staff-year Input	Total Watershed Area Acres	Total Estimated Cost	Total Federal Estimated Cost	% Federal Cost to Total Cost	Total Cumulative Federal Obligations 9/30/79	% Federal Cost Obligated as of 9/30/79
Alabama	34	5,443,446	40.4	2,122,922	164,410,561	107,710,467	65.5	38,706,246	35.9
Arizona	13	1,797,436	28.1	1,136,162	107,344,838	77,123,533	71.8	25,240,503	32.7
Arkansas	55	3,438,466	91.3	3,142,488	167,953,596	122,309,710	72.8	76,292,952	62.3
California	22	10,257,311	31.6	931,163	181,778,006	118,226,227	65.0	87,170,806	73.7
Colorado	18	915,800	17.6	1,066,091	36,743,048	26,532,460	72.2	16,588,137	62.5
Connecticut	10	184,984	7.1	142,226	48,952,249	29,570,648	60.4	19,316,627	65.3
Delaware	4	1,116,468	15.8	281,898	44,612,282	26,684,740	59.8	10,366,799	38.8
Florida	20	1,264,708	21.1	1,230,958	60,593,000	31,432,669	51.9	17,604,853	56.0
Georgia	62	2,244,254	87.8	3,860,563	148,459,251	93,857,636	63.2	58,640,631	62.4
Hawaii	8	746,425	7.0	474,510	38,463,293	22,485,672	58.5	12,200,881	54.2
Idaho	6	49,206	1.2	303,113	11,769,215	7,358,910	62.5	7,125,460	96.8
Illinois	20	10,207,213	36.9	991,824	143,310,899	77,078,122	53.8	43,508,595	56.4
Indiana	36	1,667,704	49.1	2,288,349	142,680,409	79,075,878	55.4	44,695,164	56.5
Iowa	45	3,507,963	64.9	880,061	72,608,229	51,355,018	70.7	46,738,418	91.0
Kansas	49	5,150,406	86.0	4,995,291	200,506,004	133,972,511	66.8	82,895,313	61.8
Kentucky	31	3,903,169	36.9	2,141,379	115,453,158	77,281,964	66.9	49,800,572	64.4
Louisiana	38	6,675,027	82.5	4,570,175	218,534,122	101,747,602	46.5	53,261,054	52.3
Maine	10	355,539	7.2	519,732	18,379,225	12,556,126	68.3	6,622,608	52.7
Maryland	17	670,931	24.6	275,719	34,371,834	18,228,559	53.0	18,178,774	99.7
Massachusetts	11	1,693,817	19.3	458,532	47,265,424	30,668,622	64.9	18,849,456	61.4
Michigan	20	517,384	21.1	864,400	43,943,910	23,151,457	52.7	11,332,993	48.9
Minnesota	16	3,728,866	14.0	1,194,579	32,007,665	16,684,125	52.1	13,584,842	81.4
Mississippi	53	2,579,875	72.0	3,946,112	191,568,910	127,261,139	66.4	54,817,192	44.1
Missouri	20	2,109,398	36.9	985,991	83,352,439	59,196,358	71.0	25,661,587	43.3
Montana	14	280,585	5.5	632,971	35,178,401	24,805,147	70.5	13,733,200	55.3
Nebraska	43	3,929,037	50.9	2,667,061	97,719,041	58,952,263	60.3	44,014,380	74.6
Nevada	5	--	--	388,142	6,431,372	3,939,447	61.2	2,716,250	68.9
New Hampshire	7	213,050	9.0	456,770	30,274,575	20,660,621	68.2	13,056,482	63.1

State	Number Projects Approved 9/30/79	Total Federal Obligations FY 1979	FY 1979 Federal Staff-year Input	Total Watershed Area Acres	Total Estimated Cost	Total Federal Estimated Cost	% Federal Cost to Total Cost	Total Cumulative Federal Obligations 9/30/79	% Federal Cost Obligated as of 9/30/79
New Jersey	12	3,070,686	15.8	252,647	45,669,182	29,385,451	64.3	21,694,571	73.8
New Mexico	28	1,076,239	40.4	1,681,677	104,097,891	95,858,820	92.1	24,783,552	25.8
New York	17	836,430	31.6	819,220	58,756,895	44,346,209	75.5	24,951,466	56.2
North Carolina	45	1,982,204	42.1	1,979,657	113,403,086	64,053,768	56.5	32,425,198	50.6
North Dakota	18	2,328,479	19.3	2,518,418	43,021,819	28,378,009	66.0	22,561,189	79.5
Ohio	15	2,704,190	42.1	1,025,852	77,713,687	48,163,755	62.0	31,704,564	65.8
Oklahoma	65	9,394,883	136.9	6,437,655	343,445,052	223,271,888	65.0	117,478,599	52.6
Oregon	15	855,913	15.8	966,583	138,440,921	73,733,992	53.3	20,201,622	27.3
Pennsylvania	23	5,232,131	43.9	1,141,167	112,458,980	60,340,600	53.7	50,905,185	84.3
South Carolina	38	2,244,398	22.8	1,678,983	77,242,425	42,448,755	55.0	22,721,536	53.5
South Dakota	14	125,156	3.7	525,279	13,343,018	10,163,379	76.2	6,888,834	67.7
Tennessee	35	7,200,345	56.2	1,463,792	97,186,385	73,946,788	76.1	46,398,107	62.7
Texas	87	25,427,691	204.7	8,833,206	322,433,746	208,514,211	64.7	138,659,667	66.4
Utah	12	329,869	14.0	1,305,692	50,862,962	29,253,968	57.5	26,874,600	91.8
Vermont	5	211,723	3.0	99,667	8,842,576	6,796,184	76.9	3,513,487	51.6
Virginia	30	1,841,142	29.8	1,615,151	67,404,737	40,014,665	59.4	23,158,271	57.8
Washington	13	846,419	15.8	294,511	72,634,654	45,431,986	62.5	20,251,975	44.5
West Virginia	23	2,620,474	22.8	822,000	90,089,760	62,700,959	69.6	27,886,896	44.4
Wisconsin	25	2,645,164	19.3	1,307,758	75,329,383	55,371,305	73.5	23,773,690	42.9
Wyoming	12	115,414	3.9	578,136	11,549,471	7,126,456	61.7	6,676,524	93.6
Puerto Rico	3	1,333,287	5.3	252,002	35,980,417	22,701,726	63.1	3,831,787	16.8
Total Proj.	1,222	147,070,705	1,755.0	78,548,235	4,484,572,003	2,851,910,505	62.9	1,610,062,095	
Project Evaluation Studies		110,946						1,718,568	
Undistributed Equipment		--						887,027	
Advances for future Water supply		274,000						4,754,340	
Grand Total		147,455,651						1,617,422,030	
Loan Services		383,000						--	
Total All		147,838,651	1,755.0	78,548,235	4,484,572,003	2,851,910,505	62.9	1,617,422,030	

Multiple Purpose Projects

Local sponsors of watershed projects continue to take full advantage of the broad opportunities offered under Public Law 566 to develop multiple-purpose projects. About 74 percent of the 1,222 projects approved for operation as of October 1, 1979, included structural measures with purposes other than flood prevention.

Agricultural Water Management. Three hundred and seventy-four watershed projects include structural measures for agricultural water management in addition to flood prevention features. Of these, 284 include drainage improvements on existing cropland and 90 include irrigation.

Recreation. Plans for 258 small watershed projects approved as of September 30, 1979, include 262 developments to create or improve facilities for the enjoyment of outdoor recreation in addition to flood prevention and watershed protection. Commitments for public recreation developments now total about $177 million. About $100 million will come from non-Federal sources. Local sponsoring organizations are responsible for operating and maintaining the reservoirs and recreation areas. It is estimated that the new recreation areas will attract 22 million visits a year for boating, fishing, swimming, picnicking, camping, and other forms of recreation. This will have a favorable economic impact on nearby communities. Reservoirs to provide about 67,000 acres additional water surface for recreation will be located in 42 States.

Municipal Water.

As of September 30, 1979, local sponsors in 159 watersheds had included municipal water supply features in their watershed work plans in addition to flood prevention and watershed protection.

Acceleration of Soil Surveys and Conservation Planning in Watershed and Flood Prevention Projects

Watershed and Flood Prevention Operations funds are used to accelerate soil surveys, conservation planning, and installation of conservation land treatment measures in PL-534 subwatersheds and PL-566 watershed projects as specified in project work plans. This acceleration of technical assistance is provided to help meet project objectives within the agreed upon installation period.

The following table shows the acres of soil surveys and the number and acres of conservation farm and ranch plans prepared, including revisions, in the 1979 fiscal year with Watershed and Flood Prevention Operations funds and estimates for 1980 and 1981.

Item	1979 Actual	1980 Estimate	1981 Estimate
Soil surveys (acres mapped).....	767,308	760,000	760,000
Conservation plans prepared:			
Acres.....	973,074	930,000	930,000

The following table shows the acres of soil surveys and the number of conservation plans prepared cumulative through September 30, 1979, in watershed and flood prevention projects in operation or completed by September 30, 1979.

Item	Watershed and Flood Prevention Operations Funds	Other Funds	Grand Total in Projects
Soil surveys (acres mapped)..	23,719,043	43,536,473	67,255,516
Conservation plans prepared:			
Acres.....	17,098,519	44,414,903	61,513,422

Works of Improvement Installed in Watershed and Flood Prevention Projects

The following table shows the works of improvement installed in watershed and flood prevention projects in fiscal year 1979 and cumulative accomplishments in these watersheds under all programs as of September 30, 1979, with technical and financial assistance provided by the Soil Conservation Service and the Forest Service.

Works of Improvement	Unit	Installed in 1979 With Assistance Under Watershed and Flood Prevention Operations	Other Programs
SOIL CONSERVATION SERVICE			
Land Treatment Measures:			
Cropland Benefited by Application of Conservation Practices	Ac.	671,481	833,219
Pasture & Hayland Benefited by Application of Conservation Practice	Ac.	421,800	348,526
Range & Native Pasture Benefited by Application of Conservation Practice	Ac.	612,722	467,681
Woodland Benefited by Application of Conservation Practice	Ac.	40,706	68,687
Wildlife Land Benefited by Application of Conservation Practice	Ac.	123,798	70,476
Recreation Land Benefited by Application of Conservation Practice	Ac.	12,709	10,074
Other Land Benefited by Application of Conservation Practice	Ac.	6,537	5,115
Cropland Adequately Protected	Ac.	389,260	488,027
Pasture & Hayland Adequately Protected	Ac.	315,204	242,567
Range & Native Pasture Adequately Protected	Ac.	442,468	403,311
Woodland Adequately Protected	Ac.	89,627	69,440
Wildlife Land Adequately Protected	Ac.	106,622	56,521
Recreation Land Adequately Protected	Ac.	12,283	1,214
Other Land Adequately Protected	Ac.	8,798	3,693
Cropland Adequately Treated	Ac.	165,242	269,907
Pasture & Hayland Adequately Protected	Ac.	147,883	131,972
Range & Native Pasture Adequately Treated	Ac.	214,799	286,011
Woodland Adequately Treated Treated	Ac.	33,787	36,832

Works of Improvement	Unit	Installed in 1979 With Assistance Under Watershed and Flood Prevention Operations	Other Programs
Wildlife Land Adequately Treated	Ac.	54,964	28,363
Recreation Land Adequately Treated	Ac.	3,341	508
Other Land Adequately Treated	Ac.	4,679	3,538
FOREST SERVICE			
Land Treatment Measures:			
Gully Control & Stabilization	Miles	.1	--
Grade Stabilization Structures	No.	403	--
Critical Area Stabilization by Tree Planting & Other Measures	Acres	1,703	--
Forest Road & Roadbank Stabilization Acres Treated	Miles Acres	219.7 801.5	-- --
Fire, Roads, Trails, & Firebreaks & Fuelbreaks	Miles	63	--
Fire Control Water Developments	No.	2	--
Intensified Fire Protection	Acres	400	--
Heliports & Helispots	No.	4	--
Mobile Fire Equipment	No.	2	--
Other Fire Control Improvements	No.	2	--
Forest Watershed Management Plans Prepared Area Included	No. Acres	3,100 171,507	-- --
Forest Stand Improvement	Acres	115	--
Proper Harvest Cutting	Acres	81,342	--
Range & Grass Seeding	Acres	116	--
Tree Planting & Seeding	Acres	18,874	--
Revegetation, Surface Mined Areas	Acres	292	--
Woodland Thinning & Release	Acres	17,427	--
Woodland Grazing Control	Acres	2,289	--
Woodland Owners Assisted	No.	23,546	--
Recreation Area Development	Acres	270	--
Wildlife Habitat Development	Acres	2,412	--
Wildlife Ponds	No.	2	--

Loan Programs

Under Public Law 83-566, as amended and Public Law 78-534, loans are made to local organizations for financing the local share of the cost of installing, repairing, or improving works of improvements and water storage facilities, purchasing sites or rights-of-way and for related costs in approved watershed works of improvement and flood prevention projects. The Farmers Home Administration has been assigned responsibility for making these loans to sponsors of such projects approved for operations. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for works of improvement. Public Law 94-419, approved August 30, 1972, provided for making such loans on an insured basis under the Agricultural Credit Insurance Fund.

These loans are repayable in not more than 50 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. The rate for the 1980 fiscal year is 7.210 percent. For any single plan for works of improvement, the amount of the loan may not exceed $10 million.

(Dollars in Thousands)

Explanation	1979 No.	1979 Actual Amount	1980 No.	1980 Estimate Amount	1981 No.	1981 Estimate Amount
1. Applications on hand at beginning of year	69	37,519,040	39	20,294,560	49	20,294,560
2. Applications received during year	11	4,902,840	40	26,000,000	30	15,000,000
3. Total applications for consideration during year	80	42,421,880	79	46,294,560	79	35,294,560
4. Loans obligated during year	5	4,818,000	27	26,000,000	20	20,000,000
5. Applications pending at end of year	39	20,294,560	49	20,294,560	53	15,294,560
6. Loans obligated end of year	5	4,818,000	27	26,000,000	20	20,000,000

Applications for loans received by the Farmers Home Administration have varied greatly in amount. The applications now pending average about $555,064 each. Most applications have included requests for funds to purchase land easements or rights-of-way and pay legal fees and organization costs. The larger load requests have also included funds to pay the local organization's share of the installation costs of drainage channels, municipal water storage, irrigation works, recreational facilities, natural beauty, and other multiple-purpose improvements.

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Great Plains Conservation Program

For necessary expenses to carry into effect a program of conservation in the Great Plains area, pursuant to section 16(b) of the Soil Conservation and Domestic Allotment Act, as added by the Act of August 7, 1956, as amended (16 U.S.C. 590p(b)), [$18,689,000] $20,591,000, to remain available until expended

Great Plains Conservation Program

Appropriation Act, 1980	$18,689,000
Budget Estimate, 1981	20,591,000
Increase in Appropriation	+$1,902,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1980 Estimated	Program Changes		1981 Estimated
Great Plains Conservation Program:				
1. Cost-sharing assistance	$10,263.000	+1,200,000		$11,463,000
2. Cost-share program and contract administration	2,696,000	+ 225,000		2,921,000
3. Technical assistance	5,730,000	+ 477,000		6,207,000
TOTAL AVAILABLE	$18,689,000	+1,902,000	a/	$20,591,000

a/ Includes a total increase of $1,461,000 toward increased operating costs to sustain performance levels for continuing programs. Includes a total increase of $441,000 for the pay increases effective in FY 1980 which were absorbed in FY 1980 but which are necessary to carry out the program proposed for FY 1981.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1979 Actual	1980 (estimated)	Increase or Decrease	1981 (estimated)
Great Plains Conservation Prog.:				
1. Cost-sharing assistance	$10,265,000	$10,263,000	+1,200,000	$11,463,000
2. Cost-share program and contract administration	2,696,000	2,696,000	+ 225,000	2,921,000
3. Technical assistance	5,728,000	5,730,000	+ 477,000	6,207,000
Total available or estimate	$18,689,000	$18,689,000	+1,902,000(1)	$20,591,000

PROJECT STATEMENT
(on basis of available funds)

Project	1979 Actual	1980 (estimated)	Increase or Decrease	1981 (estimated)
Direct obligations:				
Great Plains Conservation Prog.:				
1. Cost-sharing assistance	$11,403,562	$10,331,830	+1,131,170	$11,463,000
2. Cost-share program and contract administration	2,353,268	2,696,320	+ 224,680	2,921,000
3. Technical assistance	5,000,696	5,729,680	+ 477,320	6,207,000
Total direct obligations	$18,757,526	$18,757,830	+1,833,170	$20,591,000
Unobligated balance brought forward	(-137,356)	(-68,830)	(+68,830)	(-0-)
Unobligated balance carried forward	(+68,830)	-0-	-0-	-0-
Adjusted appropriation	(18,689,000)	(18,689,000)	(+1,902,000)	(20,591,000)
Reimbursable obligations	+38,071	+40,000	-0-	+40,000
Obligational authority	$18,795,597	$18,797,830	+1,833,170	$20,631,000
SOURCES OF REIMBURSEMENTS				
Other Federal Sources	$10,203	$10,000	-0-	$10,000
Non-Federal Sources	27,868	30,000	-0-	30,000
Total reimbursements	$38,071	$40,000	-0-	$40,000

OUTLAYS

Great Plains Conservation Prog.:				
1. Cost-sharing assistance	$14,209,944	$13,996,000	+ 810,000	$14,806,000
2. Cost-share program and contract administration	2,346,733	2,594,000	+ 321,000	2,915,000
3. Technical assistance	4,986,809	5,442,000	+ 753,000	6,195,000
Total outlays	$21,543,486	$22,032,000	+1,884,000	$23,916,000

EXPLANATION OF PROGRAM

Authorization: The appropriation "Great Plains Conservation Program" funds Soil Conservation Service activities authorized under Section 16(b) of the Soil Conservation and Domestic Act (PL 74-46) as amended by PL 84-1021. PL 91-118 amends PL 84-1021 to extend the Great Plains cost-share contracting authority to December 31, 1981.

Authorization limits: The appropriations of $300,000,000 are authorized for cost-sharing. Cost-sharing payment in any one fiscal year may not exceed $25,000,000. Through September 30, 1979, $216,112,925 have been paid out in cost-shares. The most paid out in cost-share in any one year was $14,839,447 in FY 1978.

This program is in addition to other USDA soil and water conservation programs in the counties designated for participation and is coordinated with programs and objectives of locally managed conservation districts, State agencies, and community groups.

Potential Workload:	
Estimated acreage in the 469 designated counties that could come under Great Plains contracts ..	180,000,000
Acres included in cost-share contracts as of September 30, 1979	107,757,928
Estimated acreage that could come under Great Plains contracts.....	72,242,072
Current Workload:	
Land under contract September 30, 1979	107,757,072
Land on which program activities were completed or terminated as of September 30, 1979	78,141,065
Land under active contracts as of September 30, 1979	29,616,863

The purpose of the program is to assist farmers and ranchers in planning and applying resource management systems on their farms and ranches to prevent or reduce the effects of the climatic hazards of the area. Benefits to be achieved are protection and improvement of soil, water, plant, and wildlife resources through reduction of erosion and sedimentation, abatement of agriculture-related pollution, and thereby help stabilize the local economy. Activities include:

-- Cost-sharing assistance - Payments are made to program participants for a share of the cost of installing eligible conservation practices scheduled in contracts.

-- Cost-share programing and contract administration - Soil Conservation Service provides assistance in developing contracts, which include schedules of conservation practices to be applied, and administers contracts.

-- Technical assistance - Soil Conservation Service provides assistance to help farmers and ranchers plan and install and maintain scheduled conservation practices according to standards and specifications.

Program results		FY 1979 Actual	FY 1980 Estimate	FY 1981 Estimate
Number of contract applications received.....	Annual	1,471	1,500	1,500
	Cumulative	61,818	63,318	64,818
Number of applications awaiting contracts at end of year.....		4,752	5,445	5,945
Number of applications awaiting contracts (acres in 1,000)....		13,579	16,335	17,835
Number of contracts signed.....	Annual	1,043	807	1,000
	Cumulative	57,066	57,873	58,873
Signed contracts (acres in 1,000)	Annual	3,090	2,421	3,000
	Cumulative	107,758	110,179	113,179
Number of contracts completed and terminated.....	Annual	2,328	1,500	2,100
	Cumulative	44,819	46,919	49,019
Number of active contracts at end of year.....		12,247	11,554	10,454
Number of technical services rendered.....		86,614	97,600	107,454
Conservation land adequately protected (acres in 1,000)....	Annual	7,254	6,657	6,590

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase in appropriation of $1,902,000 for the Great Plains Conservation Program consisting of: (on the basis of available funds, there is an increase of $1,833,170.)

(a) An increase of $702,000 for the Great Plains Conservation Program consisting of:

1. An increase of $441,000 for FY 1980 pay increase costs.

2. An increase of $261,000 for operating costs. This will provide for maintaining the current level of in-house operations.

(b) An increase of $1,200,000 for modification of existing contracts.

Need for Change. Total cost of the multiyear cost-share contracts is computed at the current cost of land treatment when the initial contract is signed. Consequently, the cost-sharing funds requested do not include future inflation. This practice has resulted in approximately 12-15 percent of cost-share dollars targeted for new contracts being used to modify existing contracts as needed to insure that conservation treatment needs and related cost-sharing were sustained at current levels.

Nature of Change. The additional funding will provide the financial assistance necessary to adequately treat the land at the agreed to rate. These commitments will be carried out at the current staffing level.

STATUS OF PROGRAM

The Great Plains Conservation Program is authorized by Public Law 84-1021. This authority terminates on December 31, 1981. Total appropriations of $300,000,000 are authorized for cost-sharing. Cost-sharing payments in any fiscal year may not exceed $25,000,000.

CURRENT ACTIVITIES: This program provides assistance, under long-term contracts, to land users in designated counties of the 10 Great Plains States. It is designed to provide needed protection and improvement of soil, water, plant, and wildlife resources of the unique Plains area, which is plagued with recurring drought and wind erosion problems. Selection of suitable land uses and installation of complete conservation treatment and management systems on farms and ranches in the area help improve and stabilize the individual enterprise and consequently the local economy, and contributes to total environmental improvement through reduction of wind and water erosion, abatement of agriculture related pollution and water conservation measures.

PROGRAM ASSIGNMENTS

The Soil Conservation Service has responsiblity for administration of the Great Plains Conservation Program. State and county program committees participate in program development and coordination of activities. The Agricultural Stabilization and Conservation Service certifies that cost-share payments are not duplicates of payments made under programs administered by it and searches the indebtedness register to determine whether cost-share payments should be setoff against amounts due the Federal Government.

PROGRAM, ADMINISTRATIVE, AND TECHNICAL ASSISTANCE

Technical services of soil and range conservationists, engineers, and other agricultural specialists are provided to help install sound conservation programs adapted to each farm or ranch. These services include:

(a) Cost-share programming and contract administration. This includes: technical assistance for processing applications for program participation; development of average costs, determining cost-share obligations, preparing contracts, and contract administration to ensure that contract provisions are met. Contracts are based on conservation plans of operations which outline resource management systems by land use.

(b) Technical assistance to help install planned conservation practices. Farmers and ranchers contract to complete their plan of conservation operations as scheduled. Assistance in practice installation is provided when needed for site selection, topographic surveys, detailed designs, practice layout, and completion. Technical assistance is also furnished to help cooperators perform required noncost-shared management features such as planned grazing systems, irrigation water management, and crop residue management on cultivated land.

SCS installation services are committed for contracted practices each year of the contract. Technical assistance is made available to help install practices scheduled for installation by local staffs at each field office. In 1979, 326 staff-years were used for technical services. Technical time averages about .7 staff-year per eligible county.

The following table shows actual funds obligated under the Great Plains Conservation Program in 1979 and estimates for 1980 and 1981 on the basis of available funds:

Item and Agency	1979 Actual Obligations	1980 Estimate	1981 Estimate
Soil Conservation Service			
Cost-share contracts:.....	11,403,562	10,331,830	11,463,000
Cost-share programing and contract administration:.....	2,353,268	2,696,320	2,921,000
Technical assistance:.....	5,000,696	5,729,680	6,207,000
Total direct obligations.....	18,757,526	18,757,830	20,591,000

COST-SHARING ASSISTANCE

Cost-share payments normally vary from 50 to 80 percent of the average costs incurred by program participants for installation of eligible conservation practices. Financial assistance enables cooperators to install conservation practices in the proper sequence as scheduled in their contracts.

Determination of a county's eligibility for participation in the program is based on conservation needs and interests of local people. The physical factors for consideration include susceptibility of the land to serious soil erosion, and the need for changes in land use, cropping systems, and grassland management. The responsibility for determining local interest in the program rests with the State Program Committee.

As of September 30, 1979, 469 counties were designated for participation in the Great Plains Conservation Program. At the end of FY 1979, the number of designated counties, status of active contracts, cost-sharing payments, the distribution of actual obligations and staff-years by State were:

State	Designated Counties	Active Contracts 9/30/79 Number	Active Contracts 9/30/79 Acres	FY 1979 Actual Cost-sharing Payments	Total Direct Obligations	Staff Yrs.
Colorado	37	1,242	3,224,385	1,767,131	1,920,885	27
District of Columbia 1/	--	--	--	--	344,150	8
Kansas	62	1,266	855,481	1,294,958	1,647,194	27
Montana	39	588	4,341,017	877,412	1,132,697	28
Nebraska 1/	61	1,265	2,515,547	1,433,294	1,830,967	28
New Mexico	19	421	4,253,350	882,950	1,219,501	15
North Dakota	38	1,436	2,330,103	720,850	975,165	16
Oklahoma	30	1,671	1,021,676	1,443,239	1,688,538	31
Oregon 1/	--	--	--	--	23,108	1
South Dakota	47	1,563	3,833,954	986,796	1,631,270	28
Texas 1/	123	2,308	3,824,483	4,076,696	5,325,765	101
Wyoming	13	487	3,416,867	726,618	1,018,286	16
Total GPCP	469	12,247	29,616,863	14,209,944	18,757,526	326

1/ Includes management, program, and technical guidance provided through headquarters and Technical Service Centers as follows:

District of Columbia	$344,150
Lincoln, Nebraska	35,140
Fort Worth, Texas	27,702
Portland, Oregon	23,108
	$430,100

Farms and ranches under contract in FY 1979 average 2,963 acres. During FY 1979, the average obligation per contract was $10,933. Through September 30, 1979, cumulative amounts of $258,248,249 and $216,112,925 for cost-share contracts have been obligated and outlaid, respectively, under the Great Plains Conservation Program. A total of 107,757,928 acres have been included in cost-share contracts.

CONSERVATION ACCOMPLISHMENTS

Thirty-three soil and water conservation practices are eligible for cost-sharing under the Great Plains Conservation Program. The amount of cost-shared practices applied and cost-shares paid in FY 1979 and cumulative at the end of FY 1979 were:

Great Plains Practices	Unit	Extent Applied FY 1979 (Estimate)	Extent Applied Cumulative 9/30/79 (Estimate)	Cost-shares Paid FY 1979 (Estimate)	Cost-shares Paid Cumulative 9/30/79 (Estimate)
Initial Application					
Establish permanent vegetative cover	Acres	83,326	2,802,810	$1,640,281	$27,056,476
Establish field/wind strip-cropping	Acres	35,923	1,100,034	128,058	1,679,027
Establish contour strip-cropping	Acres	1,988	181,938	17,256	876,620
Establish contour farming	Acres	--	4,981	--	4,469
Re-establishing grasslands	Acres	80,118	2,293,559	1,819,026	27,330,213
Establishment of trees and shrubs	Acres	4,241	60,390	265,248	3,271,190
Establish permanent waterways	Acres	820	53,754	477,389	7,048,544
Terraces	Miles	3,198	95,240	2,164,224	28,761,618
Diversions	Miles	168	5,915	224,222	3,561,884
Grassland mechanical treatment	Acres	5,152	393,067	12,042	489,487
Dams for erosion control detention	Number	304	23,494	277,998	6,398,970
Grade stabilization structures	Number	2,966	6,090	189,099	2,008,390
Streambank protection, etc.	L. Ft.	847	289,833	6,904	343,160
Diversion dams and spreader ditches	Acres	1,895	150,167	233,238	3,753,475
Reorganizing irrigation systems	Number	221	5,425	732,367	9,550,050
Irrigation land leveling	Acres	2,524	241,498	200,776	7,421,116
Dams, pits, or ponds for irrigation	Number	24	843	53,955	811,189
Lining irrigation ditches, canals, etc.	L. Ft.	37,309	1,977,004	75,896	1,825,692
Wells	Number	592	24,415	602,067	14,008,193
Developing springs and seeps	Number	14,745	18,104	47,562	745,523
Constructing dams, pits or ponds	Number	673	40,820	679,779	16,282,193

Great Plains Practices	Unit	Extent Applied FY 1979 (Estimate)	Extent Applied Cumulative 9/30/79 (Estimate)	Cost-shares Paid FY 1979 (Estimate)	Cost-shares Paid Cumulative 9/30/79 (Estimate)
Pipelines	Miles	599	11,853	$1,014,169	$14,023,991
Controlling competitive shrubs	Acres	152,935	6,025,306	822,091	17,581,779
Fences	Miles	767	20,877	784,638	9,834,823
Critical area treatment	Acres	7,390	367,275	323,110	2,226,867
Irrigation tailwater recovery system	Number	38	336	60,101	316,160
Disposal lagoons	Number	408	483	43,660	126,296
Recreation land grading and shaping	Acres	--	16	--	1,071
Water storage facilities	Number	1,294	11,057	584,055	3,784,092
Catchment basins	Number	--	5	--	24,552
Shallow water areas	Number	3	20	3,087	71,348
Holding ponds and tanks	Number	41	187	173,133	409,543
Wheatgrass barriers	L. Ft.	319,318	1,493,248	11,341	13,143
Reapplication					
Establish perm. vegetative cover	Acres	11,967	202,295	263,602	1,962,438
Establish field/wind strip-cropping	Acres	394	2,063	2,206	9,834
Contour stripcropping	Acres	--	1,762	--	15,900
Re-establishing grasslands	Acres	5,937	107,860	151,500	1,275,092
Establishment of trees or shrubs	Acres	211	4,188	22,550	210,520
Establish permanent waterways	Acres	344	5,415	30,080	235,320
Terraces	Miles	79	1,249	22,409	257,744
Diversions	Miles	--	15	338	5,900
Grassland mechanical treatment	Acres	--	220	--	220
Dams for erosion control detention	Number	4	61	7,653	44,117
Grade stabilization structures	Number	3	44	4,067	41,919
Streambank protection, etc.	L. Ft.	--	1,961	--	16,559
Diversion dams and spreader ditches	Acres	179	3,917	4,517	35,473
Reorganizing irrigation systems	Number	--	5,255	--	5,255
Irrigation land leveling	Acres	--	587	--	11,615
Dams, pits, or ponds for irrigation	Number	1	7	1,558	3,968
Lining irrigation ditches, canals, etc.	L. Ft.	--	217	--	163
Wells	Number	7	92	3,543	47,155
Developing springs and seeps	Number	--	8	--	2,373
Constructing dams, pits or ponds	Number	3	102	2,943	43,119
Pipelines	Miles	5	16	4,691	16,454
Controlling competitive shrubs	Acres	1,240	75,119	6,577	154,318
Fences	Miles	--	2	--	607
Critical area treatment	Acres	187	472	14,938	70,918

Great Plains Practices	Unit	Extent Applied FY 1979 (Estimate)	Extent Applied Cumulative 9/30/79 (Estimate)	Cost-shares Paid FY 1979 (Estimate)	Cost-shares Paid Cumulative 9/30/79 (Estimate)
Irrigation tailwater recovery system	Number	--	--	--	372
Water storage facilities ..	Number	--	3	--	3,152
Holding ponds and tank	Number	--	1	--	1,209
Wheatgrass barrier	L. Ft.	--	--	--	67
TOTAL	XXXX	XXXX	XXXX	$14,209,944	$216,112,925

Selected examples of recent progress:

PARTICIPANTS PERCEPTION OF HOW THE GREAT PLAINS CONSERVATION PROGRAM ACHIEVES ITS OBJECTIVES - (Installing complete conservation treatment and management systems on farms and ranches to help improve and stabilize the individuals enterprise and local economy by contributing to total environmental improvement through reduction of wind and water erosion, abatement of agricultural related pollution and water conservation measures).

- More grass and improved wildlife habitat in TEXAS.

"Before we started improving this land, it was so heavily infested with brush that forage production was extremely limited," said John Caldwell of San Angelo, Texas. "The mesquite consumed much of the available moisture leaving very little for grasses and forage."

The 2,549 acre Tankersly Ranch is jointly owned and operated by Dr. Ted Heywood of Houston, Texas and John Caldwell.

A conservation plan was developed in 1973 with assistance from the Concho Soil and Water Conservation District. It included selective brush control, range seeding, and a carefully planned grazing system to improve the rangeland. The plan was used as a basis for receiving cost-share assistance through the Great Plains Conservation Program.

Caldwell stated that the ewes are getting "mudfat" on the ranch and estimated the steers were 100 pounds heavier at shipping time than before. The partners plan to maintain a cow-calf and ewe-lamb herd with additional stocker livestock purchased during food rainfall years to use the additional grass.

The favorable impacts of the range improvement program on wildlife is especially pleasing to Caldwell. "Before the brush management and range seeding was completed, the ranch had a good population of whitetail deer and turkey, and a fair amount of quail," he said. "The range improvement program and brush patterns have improved the wildlife habitat resulting in even more deer, turkey, and quail.

- A complete conservation plan for the whole farm in GP area.

Lyle Bauer, Harper, Kansas, farmer, and President of the National Association of Conservation Districts has strong feelings about the program because of his own experience.

"The Great Plains Conservation Program is unique among conservation programs in that all work done on the land is based upon a conservation plan for the entire land-holding." he said. This plan is agreed upon by the landowner, the conservation district and the Federal Government.

"GPCP has demonstrated its ability to assist small, low-income farmers to make maximum use of their resources; reduce maintenance cost of public utilities; accelerate land treatment of critical sediment producing and wind erosion areas; reduce pollution of air and water; stimulate local economies and kindle pride and confidence in conservation program objectives; and make rural areas more attractive and rewarding places in which to live and work."

- Soil stabilization in KANSAS.

Farmers and ranchers on the Great Plains of Kansas are frustrated by one of "Murphy's Laws" at almost every turn. One of these "laws" is having land unable to support a cover of vegetation because of prolonged drought and then a sudden heavy rain washes away tons and tons of soil from that same barren soil.

Kansas author and farmer, Lawrence Svobida wrote a book 40 years ago called "Empire of Dust." He contended there was no hope for making a living from farming in Western Kansas. He didn't know it, but just about that time, answers were beginning to emerge on land use and climatic problems. A special kind of help for the hazardous climate of the Great Plains is found in the Great Plains Conservation Program.

In Ellsworth County, Conservation District supervisor, Richard Johnson, had experiences the opposite of Svobida's. "In several dry summers, including 1979, our grain sorghum crop showed little stress, thanks to the combination of conservation practices we applied under the Great Plains Conservation Program."

"If a farmer goes into the program, he has to do 100 percent of the conservation job. A field must be fully terraced instead of only a portion of the field, which is only half a job," Johnson continued. "When you're following a blueprint, things go smoother. Estimated expenses for the year are easier to figure when a contract is in effect."

- GPCP is a Conservation tool - COLORADO.

"I believe the Great Plain Conservation Program to be the tool for conservation in my operation," said M.E. "Bud" Mekelburg, farmer and President of the Yuma Soil Conservation District. "It spells out, through planning and mutual agreement between myself and the Soil Conservation Service, what needs to be done on my unit with a time frame for completion with the money set aside so I can implement the needed practices. I can project cash flow needs and add to the contract with little trouble."

"This is the way conservation should work, by planning, implementation, and finally reaching a conclusion to a problem," concluded Mekelburg, who is also Vice President of the National Association of Conservation Districts.

- Soil saved in NORTH DAKOTA.

For years it was gullies up to their waist; now its grain and hay up to their nose. This as a dramatic change for Gene and Viola Weinhardt of Morton, North Dakota. The change began in the 1960's when they began a conservation plan with the Soil Conservation Service under the Great Plains Conservation Program.

Included in their conservation plan were strip cropping, waterways, terraces, diversions, erosion control dams, a farm pond, field and farmstead windbreaks, grass seeding for hay pasture, and critical areas, pasture and range management, and crop residue management.

60-240 O - 80 - 50

As a result of their good conservation work, the Weinhardt's were chosen Conservation Achievement Program award winners for Morton County.

Concerning the cost of conservation practices, Mr. Weinhardt says, "You are really getting back what you put in, and then some. The important thing is, you save the soil."

- Adequate livestock water was a problem in OKLAHOMA.

"Twenty six hundred acres of native rangeland in one pasture without adequate water is a problem during normal years. It's a disaster during a drought," says Wesley Matteson a rancher near Woodward, Oklahoma.

That's what Matteson had on his 10,080 acre ranch. It is in an area where water wells are hard to find. Water, when you find it, is often unsuitable for livestock because of mineral content. After building several ponds that leaked and went dry, Matteson turned to the Great Plains Conservation Program to solve his water problems.

The project was carried out by installing over 11 miles of plastic water line and nine metal water tanks. Using water from a rural water system, up to 3,000 gallons per day is pumped to the tanks for livestock. Before installing the water system, cattle would not venture far from their limited watering holes which left many parts of the pasture ungrazed. Now, with the water tanks scattered over the pasture, cattle are able to use the entire pasture. This has reduced overgrazing and erosion problems.

Matteson was chosen as the outstanding District Cooperator by the Woodward County Conservation District in 1975.

- GPCP has the flexibility to meet changes - WYOMING.

"Despite the especially dry conditions around Lusk this year, we have managed our ranch so we don't have to worry about buying hay or hauling water," said rancher Russ Thompson. "Things have been a bit harder in the past." recalls Russ, "thats why I got interested in soil conservation."

Some of the practices that he installed under his Great Plains Conservation Program contract were for maintaining good rangeland. They included piping livestock water to various areas and fencing pastures to help distribute livestock for good forage use.

In working on his own land and with the conservation district, Thompson says. "I've backed the Great Plains contract all the way. I put in pipelines for livestock water under my contract and I'll tell you, water from these pipelines is better for cattle than the silty stuff they got from dams."

"Nobody has a crystal ball they can look in and know exactly what future conditions will be. The Great Plains program gives us the flexibility to modify plans as operating conditions change," he added.

WIND EROSION CONDITIONS IN THE GREAT PLAINS
For the 1978-79 Wind Erosion Season

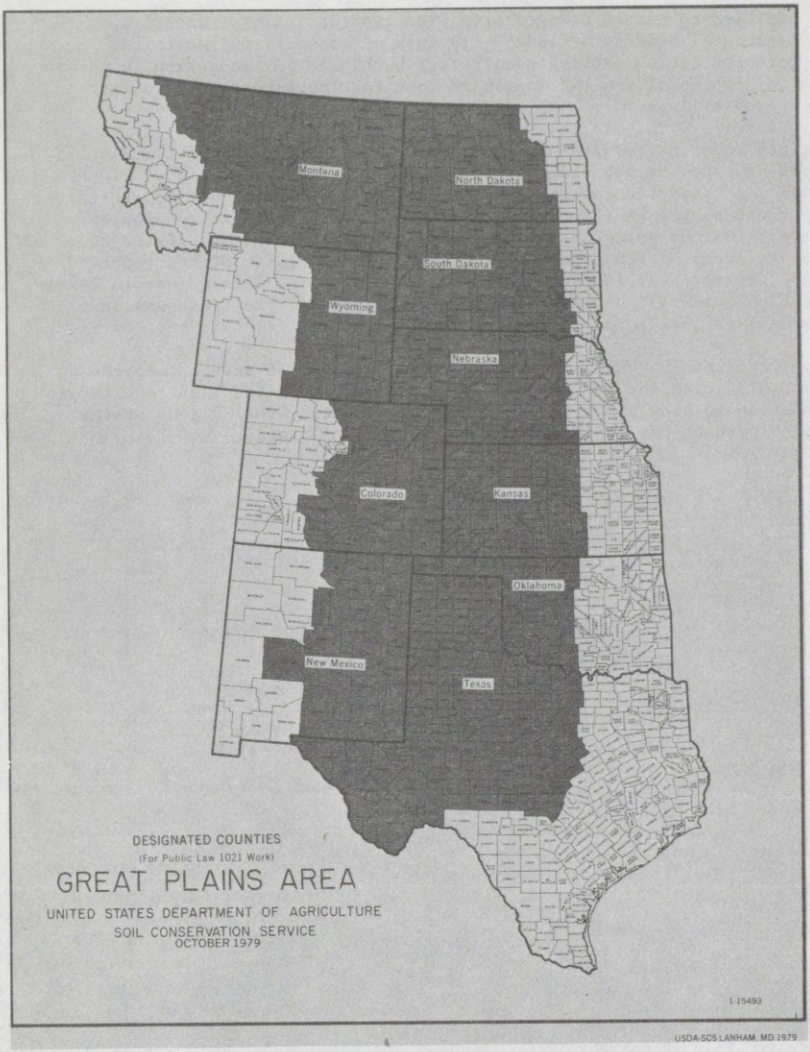
Wind erosion reports were submitted from 515 counties in which wind erosion was prevalent during the 1978-79 season.

Major factors contributing to wind erosion this season include: (1) frequent wind storms of long duration affecting many acres of seeded crops causing considerable damage; (2) lack of adequate soil moisture due to prolonged drought; (3) excessive tillage on susceptible soil; and (4) inadequate residue.

In addition to direct damages from wind erosion, adverse social and enviornmental effects include: (1) loss of topsoil; (2) dust from unprotected fields causing respiratory problems; (3) reduction in income due to crop loss; and (4) increased fuel and labor costs due to extra emergency tillage.

The 515 counties reported 2,874,385 acres damaged compared to 2,844,135 acres reported by 388 counties for the same period a year ago. Of the total land reported damaged, 93 percent was cropland (2,667,573 acres), 5 percent rangeland (146,945 acres), and 2 percent other land (59,867 acres). Of the acres of land damaged, the Northern Plains States reported 585,981 acres or (20 percent), and the Southern Plains States reported 2,288,404 acres or (80 percent). The greatest area damaged was in Texas (1,483,530 acres), or 52 percent of the total, and the least was in Nebraska (57,582 acres) or 2 percent of the total for this period.

Land reported in condition to blow totaled 7,592,738 acres, compared to 6,263,512 acres for the same period a year ago. Of the land reported in condition to blow, 52 percent was in the Northern Great Plains States, and 48 percent was in the Southern Great Plains States.


Montana
North Dakota
South Dakota
Wyoming
Nebraska
Colorado
Kansas
Oklahoma
New Mexico
Texas
DESIGNATED COUNTIES
(For Public Law 1021 Work)
GREAT PLAINS AREA
UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE
OCTOBER 1979
I-15493
USDA-SCS LANHAM, MD 1979



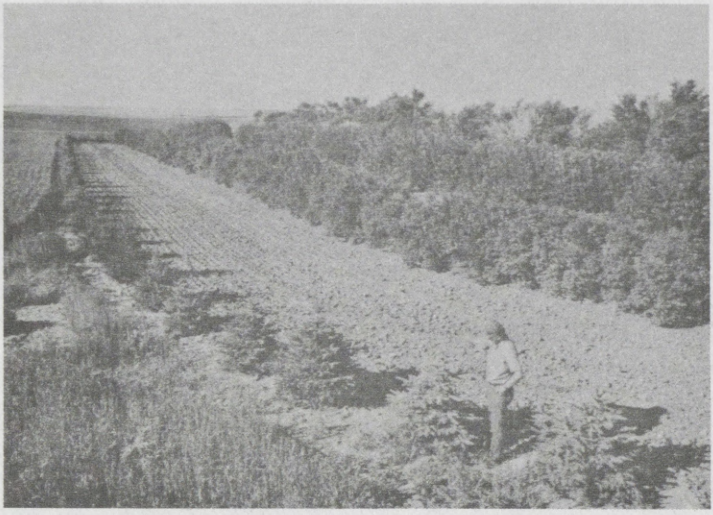
Contour farming and crop residue management combine to provide the treatment needed on this Kansas farm.



Minimum tillage saves energy as well as protecting the soil from erosion. Corn can be planted in wheat stubble with very little disturbance of the soil surface.



Stubble mulch tillage is an important practice in the Great Plains. Crop residues left on the surface prevent wind erosion and help store moisture for the next crop.



Windbreaks provide excellent cover for wildlife. Well designed and maintained windbreaks will give good protection to farmsteads on the leeward side for a distance about ten times the height of the trees.



Parallel terraces hold snow melt to conserve both soil and water resources in South Dakota.

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Resource Conservation and Development

For necessary expenses in planning and carrying out projects for resource conservation and development and for sound land use pursuant to the provisions of section 32(e) of title III of the Bankhead-Jones Farm Tenant Act, as amended (7 U.S.C. 1010-1011; 76 Stat. 607), and the provisions of the Act of April 27, 1935 (16 U.S.C. 590 a-f, [$32,000,000] $34,593,000[of which $390,000 shall be for the authorization of 6 new areas]: Provided, That $4,000,000 in loans may be insured,or made to be sold and insured, under the Agricultural Credit Insurance Fund of the Farmers Home Administration (86 Stat. 663): Provided further, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $50,000 shall be available for employment under 5 U.S.C. 3109.

This change deletes language requiring a specific number of new area authorizations. The FY 1981 budget reflects continuation of the plan to phase out the program. Therefore, no new area authorizations are proposed in order to concentrate resources on completion of work in progress.

Resource Conservation and Development

Appropriation Act, 1980	$32,000,000
Budget Estimate, 1981	34,593,000
Increase in Appropriation	+$2,593,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1980 Estimated	Increase or Decrease Program Changes	1981 Estimated
1. Resource Conservation and Development			
(a) Technical assistance	$16,204,000	-2,293,000	$13,911,000
(b) Financial assistance	15,596,000	+4,886,000	20,482,000
(c) Loan services	200,000	-0-	200,000
TOTAL AVAILABLE	$32,000,000	+2,593,000 a/	$34,593,000

a/ Includes a total increase of $1,695,000 toward increased operating costs in order to sustain performance levels for the program. Includes a total increase of $898,000 for the portion of pay increases effective in FY 1980 which were absorbed in FY 1980 but are necessary to carry out the program porposed for FY 1981.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1979 Actual	1980 (estimated)	Increase or Decrease	1981 (estimated)
1. Resource Conservation and Development				
(a) Technical assistance	$12,038,766	$16,204,000	-2,293,000	$13,911,000
(b) Financial assistance	13,195,234	15,596,000	+4,886,000	20,482,000
(c) Loan services	207,000	200,000	-0-	200,000
Total available or estimate	$25,441,000	$32,000,000	+2,593,000 (1)	$34,593,000

PROJECT STATEMENT
(On basis of available funds)

Project	1979 Actual	1980 (estimated)	Increase or Decrease	1981 (estimated)
1. Resource Conservation and Development				
(a) Technical assistance	$12,984,749	$16,766,000	-2,855,000	$13,911,000
(b) Financial assistance	11,832,680	16,155,236	+4,326,764	20,482,000
(c) Loan services	207,000	200,000	-0-	200,000
Total direct obligations	25,024,429	33,121,236	+1,471,764	34,593,000
Unobligated balance brought forward	(-704,665)	(-1,121,236)	(+1,121,236)	(-0-)
Unobligated balance carried forward	(1,121,236)	(-0-)	(-0-)	(-0-)
Adjusted appropriation	(25,441,000)	(32,000,000)	(+2,593,000)	(34,593,000)
Reimbursable obligations:				
1. Resource Conservation and Development				
(a) Technical assistance	22,845	50,000	-0-	50,000
(b) Financial assistance	230,848	950,000	-0-	950,000
Reimbursable obligations	253,693	1,000,000	-0-	1,000,000
Obligational authority	$25,278,122	$34,121,236	+1,471,764	$35,593,000

SOURCES OF REIMBURSEMENTS

Project	1979	1980 Estimated	Increase or Decrease	1981 Estimated
Federal Sources	$ 11,201	$ 44,000	-0-	$ 44,000
Non-Federal Sources	242,492	956,000	-0-	956,000
Total reimbursements	$253,693	$1,000,000	-0-	$1,000,000

OUTLAYS

1. Resource Conservation and Development				
(a) Technical assistance ..	$12,845,276	$12,857,856	+496,144	$13,354,000
(b) Financial assistance ..	12,738,846	12,265,144	+5,415,856	17,681,000
(c) Loan services	207,000	200,000	-0-	200,000
Total outlays	$25,791,122	$25,323,000	+5,912,000	$31,235,000

EXPLANATION OF PROGRAM

The appropriation "Resource Conservation and Development" of SCS funds the activities authorized under Section 32(e) of Title III of the Bankhead-Jones Farm Tenant Act (Public Law 95-210) as amended and the Soil Conservation and Domestic Allotment Act of April 27, 1935, (Public Law 74-46) as amended. Program assistance provided authorized R&CD areas are technical assistance for planning and implementation, financial assistance, and loan services.

Technical Assistance: Staff assistance is provided to local sponsors in the preparation of RC&D area plans for the conservation, development, and utilization of the natural resources in the RC&D area. Staff assistance is also provided to local sponsors in the implementation of their RC&D plans. This includes:

a. Assistance with inventories and studies of a measure of areawide scale that directly aids sponsors in achieving their RC&D objectives.

b. Assistance in developing plans, designs, layout, and installation of measures eligible for RC&D financial assistance.

c. Assistance to sponsors to achieve activities and measures contained in the RC&D plans which are ineligible for RC&D financial assistance.

Financial Assistance: Financial assistance is provided to eligible sponsors to install approved measures. Major eligible purposes are: erosion and sediment control (critical area treatment), flood prevention, farm irrigation, land drainage, soil and water management for control of agriculture-related pollutants, public water-based recreation developments, and public water-based fish and wildlife developments.

MAJR WORKLOAD FACTORS

	1979 Actual	1980 Estimate	1981 Estimate
Status of Authorized RC&D Areas:			
RC&D areas authorized at beginning of year	178	184	190
New RC&D areas authorized during year	6	6	-0-

RC&D areas authorized at end of year	184	190	190
Unserviced applications on hand	59	53	-0-
Applications returned to sponsors	-0-	-0-	53
RC&D Assistance to Areas:			
RC&D sponsors (local units of government) receiving assistance	1,965	1,764	1,142
RC&D areas receiving assistance:			
a. Full assistance during year	140	110	90
b. Reduced assistance during year 1/ ...	30	20	78
c. Full assistance at end of year	110	90	12
RC&D Measures			
Financially assisted (F.A.)			
a. Planned in year	100	50	20
b. Installed	164	230	278
c. Obligation for F.A.	11,832,680	16,155,000	20,482,000
d. Planned and unfunded No	922	642	289
e. Planned and unfunded $	65,672,000	55,185,000	29,356,000
Associated measures (not financially assisted) completed during year	1,310	1,010	525
Total RC&D measures completed during year	1,474	1,260	803

1/ Reduced assistance is reported when the RC&D Coordinator's assistance is terminated. Sponsors will receive implementation assistance from other SCS staff specialists.

Loan Services Assistance: Funds are provided the Farmers Home Administration (FmHA) to service loans made to sponsors from the Agricultural Credit Insurance Fund. Loan services must be provided from Resource Conservation and Development funds because the Agricultural Credit Insurance Fund of the FmHA is not available for such expenses. The workload consists of servicing 305 loans which will be made by the end of the 1981 fiscal year and loan counseling to help local sponsors arrange funding necessary to implement planned financial assistance measures.

Item	1979 Actual	1980 Estimate	1981 Estimate
Status of loans authorized:			
Loans, during year	5	10	10
Loans, cumulative	285	295	305
Obligations for loan services, current fiscal year	207,000	200,000	200,000
FmHA loan authorization limit	4,000,000	4,000,000	4,000,000
Obligations for loans, cumulative .	26,885,969	27,095,969	27,295,969

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase in appropriation of $2,593,000 for Resource Conservation and Development consisting of: (on the basis of available funds there is an increase of $1,471,764).

(a) An increase of $898,000 for pay costs.

(b) An increase of $1,695,000 for operating costs of which $1,400,000 is for financial assistance and $295,000 is for other costs. This increase is necessary to meet increased costs associated with the recommended level of assistance to RC&D sponsors.

(c) No change in total program efforts, but a shift from technical assistance to more financial assistance and no new area authorizations.

Need for Change. This program was implemented in FY 1962 to accelerate the installation of conservation measures, and to alleviate unemployment in rural areas through the accelerated conservation work. Reviews of the RC&D program, conducted in previous years, have been unable to demonstrate statistically significant economic progress towards program objectives. In the FY 1980 Agriculture Appropriation bill report, the Congress directed the Government Accounting Office to conduct a full and complete review of the RC&D program in FY 1980 taking into account both the costs and benefits of the program.

During FY 1980, emphasis will be placed on completing planned measures. In addition, some assistance will be provided for planning an estimated 50 new measures, however sponsors will be informed that the provision of this technical assistance does not infer that any future financial assistance will be provided. RC&D Coordinator positions that become vacant will not be filled when (area wide planning and coordination) assistance can be furnished by other means. In other cases, when the presence of a coordinator is essential, the position will be filled after Washington Office approval. It is estimated that by the end of FY 1980 there will be 90 coordinators.

Nature of Change. No new RC&D areas will be authorized in FY 1981 in order to concentrate resources toward completion of existing projects in progress. Efforts to complete the installation of work in process will result in providing more financial assistance and less technical assistance in FY 1981 than in FY 1980.

The FY 1981 budget proposal continues the phase out of the program by the end of FY 1982. Emphasis will be placed on completing those measures on which work is underway and on which sponsors have expended significant local resources in preparing for installation.

STATUS OF PROGRAM

The Resource Conservation and Development (RC&D) Program began in February 1964 under authority of Section 102 of the Food and Agriculture Act of 1962 (Public Law 87-703) and other Departmental authorities. Program assistance is provided to RC&D sponsors as authorized by the Secretary of Agriculture. RC&D sponsors, State and local units of government, and nonprofit organizations initiate and direct the continuing planning process, develop and maintain an RC&D area plan, and carry out activities to implement the plan.

Current Activities: Department of Agriculture agencies provide technical, financial, and loan assistance to local sponsors. Program leadership is provided by the Soil Conservation Service. Sponsors also seek the assistance of local, State, and other Federal agencies that can assist them in areawide planning and in carrying out activities to implement plans.

There are three major objectives of the RC&D Program:

1. To develop and improve the capability of local governments and nonprofit organizations serving rural areas to:

   - develop a planning and decisionmaking process and record the decisions in an RC&D area plan;

   - obtain full utilization of natural resources through orderly development and improvement;

   - conserve natural resources and provide for continuing wise and sustained use, and thereby achieve better employment opportunities, improved levels of economic activity, and the enhancement of the environment.

2. To establish or improve the coordination system used in rural communities within RC&D areas to:

   - fully utilize available Federal, State, and local programs and applicable new programs to achieve sponsors' objectives;

   - develop priorities for activities that will result in the maximum conservation, economic, and social benefit to the area;

   - carry out erosion control, flood prevention, recreation, and other such activities in the RC&D area plan in keeping with State and local plans.

3. To assist sponsors in implementing the short and long range conservation programs of sponsoring soil conservation districts and conservation plans developed by other sponsoring units of government.

In FY 1981 in 178 RC&D areas authorized prior to FY 1979, technical and financial assistance will be provided to complete measures already started. Sponsors will be encouraged to use other existing Federal, State, and local conservation programs to achieve their objectives. RC&D areas authorized after FY 1978 will receive full assistance as described below under "Types of Assistance furnished by the Department." No RC&D Program assistance will be authorized for new areas in FY 1981.

Types of Assistance Furnished by the Department

Assistance provided within an RC&D area are:

1. Technical assistance was being provided to 184 authorized RC&D areas as of September 30, 1979. Land, water, and related natural resources are studied by the sponsors and the cooperating Federal, State, and local agencies and organizations in each area. These studies identify problems, needs, and the importance and availability of resources in the RC&D area. Local goals and objectives are redefined as studies are completed and the sponsors record the actions and develop the RC&D plan. This process of evaluation and redefinition of goals and developing the plan of action is repeated each year in each area to obtain improvements in rural communities.

   Essential in the planning process are coordination and cooperation. USDA, through the Soil Conservation Service, provides a person known as an RC&D Coordinator to assist sponsors in coordinating activities to achieve the goals and actions recorded in the RC&D area plan. The average RC&D area has 17 sponsors including six county governments, seven soil and water conservation districts, two cities, and two others. This group of sponsors organize by having each sponsor designate a representative to serve on the RC&D council. The council, with assistance from the RC&D Coordinator and other agency representatives, carries out the coordinating function to make effective use of all financial and manpower resources available in the area.

   RC&D area planning focuses on natural resource programs through its local citizen leadership and participation. The planning process leads to an enhancement of the environment; an orderly approach to land use change; reduction of flooding and drainage problems; development of recreation facilities; protection of scenic and historic attractions; the development of local industry and the generation of other rural community developments.

   In fiscal year 1979, RC&D measures benefiting about 1965 communities were completed. These measures are made up of a variety of activities carried out under the leadership of the RC&D council with assistance from Federal, State, and local cooperating agencies. The Soil Conservation Service and other cooperating USDA agencies provided technical assistance on about 470 of the total 1,474 measures. This technical assistance included providing soils information, farm market analysis, wood utilization studies, and detailed planning and contracting of multistructural flood prevention measures and complex public water-based recreation facilities. The assistance on the remaining 1,004 measures was provided through the RC&D Coordinator and consisted of identifying sources of assistance, determining probable impacts, and advising RC&D sponsors on actions to be taken.

2. Financial assistance: There were 164 measures installed with financial assistance in fiscal year 1979, bringing the total to 1,615 measures completed. Financial assistance is provided by the Soil Conservation Service for critical area treatment (erosion and sediment control), flood prevention, farm irrigation, land drainage, agriculture-related pollutant control, public water-based recreation, fish and wildlife developments, and water quality management measures.

3. Loan assistance: The Farmers Home Administration authorized 10 loans in fiscal year 1979 for a total of about $1,877,740. These

loans were made to local sponsors to carry out RC&D measures. Approximately 130 active borrowers were serviced in fiscal year 1979 in addition to the new loans.

Program Assignments

Administrative leadership for this Program is assigned to the Soil Conservation Service. USDA area planning assistance as well as technical assistance for implementing the plan is provided by the Soil Conservation Service and Forest Service. Arrangements have been made for the State Cooperative Extension Service in selected RC&D areas to provide educational assistance to meet sponsors' needs through the use of RC&D funds. The Farmers Home Administration is responsible for the loan provisions of the Program. The Economics, Statistics, and Cooperatives Service aids in evaluating activities having impact in more than one RC&D area and in the evaluation of applications and RC&D plans. In addition, other agencies of the Department provide assistance in accordance with their Departmentally assigned functions.

Other Federal agencies provide assistance to RC&D sponsors within their existing authorities and programs. State and local units of government and their agencies also participate. Thus, RC&D activities are broader than those created by assistance from this Department alone. An indication of the level of participation by USDA agencies follows:

Direct funds obligated in 1979 and estimates of projected available funds and direct staff-years by agency for FY 1980 and FY 1981 follows:

	Technical Assistance		Financial Assistance	Loan Services		Total	
	Net Obligations	Staff-Years	Obligations	Net Obligations	Staff-Years	Net Obligations	Staff-Years
1979 Actual:							
SCS	12,788,473	446	11,428,680	--	--	24,217,153	446
ESCS	113,276	9	--	--	--	113,276	9
FmHA	--		--	207,000	10	207,000	10
FS	83,000	3	404,000	--	--	487,000	3
Total	12,984,749	458	11,832,680	207,000	10	25,024,429	468
1980 Estimate:							
SCS	16,656,000	561	16,155,236	--	--	32,811,236	561
ESCS	50,000	1	--	--	--	50,000	1
FmHA	--	--	--	200,000	3	200,000	3
FS	60,000	2	--	--	--	60,000	2
Total	16,766,000	564	16,155,236	200,000	3	33,121,236	567
1981 Estimate:							
SCS	13,911,000	416	20,482,000	--	--	34,393,000	416
ESCS	--	--	--	--	--	--	--
FmHA	--	--	--	200,000	3	200,000	3
FS	--	--	--	--	--	--	--
Total	13,911,000	416	20,482,000	200,000	3	34,593,000	419

Resource Conservation and Development funds obligated and staff-years used in 1979 by State were:

(In thousands of dollars)

State	Obligations	Staff-Years	State	Obligations	Staff-Years
Alabama	794	10.4	Nebraska	356	8.9
Arizona	179	6.3	Nevada	20	.7
Arkansas	863	12.8	New Hampshire	72	2.3
California	312	7.3	New Jersey	119	4.9
Caribbean Area	14	.7	New Mexico	314	11.9
Colorado	295	6.7	New York	253	7.5
Connecticut	82	2.2	North Carolina	540	11.1
Delaware	203	3.3	North Dakota	430	14.2
District of Columbia	741	21.1	Ohio	321	8.7
Florida	394	9.6	Oklahoma	417	13.1
Georgia	444	8.4	Oregon	2,330	8.7
Hawaii	975	4.7	Pennsylvania	307	11.1
Idaho	425	17.1	Rhode Island	38	1.6
Illinois	196	8.3	South Carolina	382	7.0
Indiana	271	9.3	South Dakota	252	8.6
Iowa	727	8.0	Tennessee	962	13.4
Kansas	797	14.5	Texas	1,955	34.2
Kentucky	282	12.1	Utah	1,042	11.0
Louisiana	212	6.2	Vermont	128	4.0
Maine	266	9.8	Virginia	130	2.7
Maryland	79	2.7	Washington	368	8.8
Massachusetts	172	5.6	West Virginia	1,095	11.0
Michigan	465	11.0	Wisconsin	141	5.8
Minnesota	657	10.2	Wyoming	167	4.8
Mississippi	1,814	7.3	Total Resource Conservation & Development, SCS	24,217	446.1
Missouri	215	7.1	Allocation acc.	807	22.0
Montana	204	7.4	Total, Resource Conservation & Development	25,024	468.1

Status of Resource Conservation and Development Program as of September 30, 1979

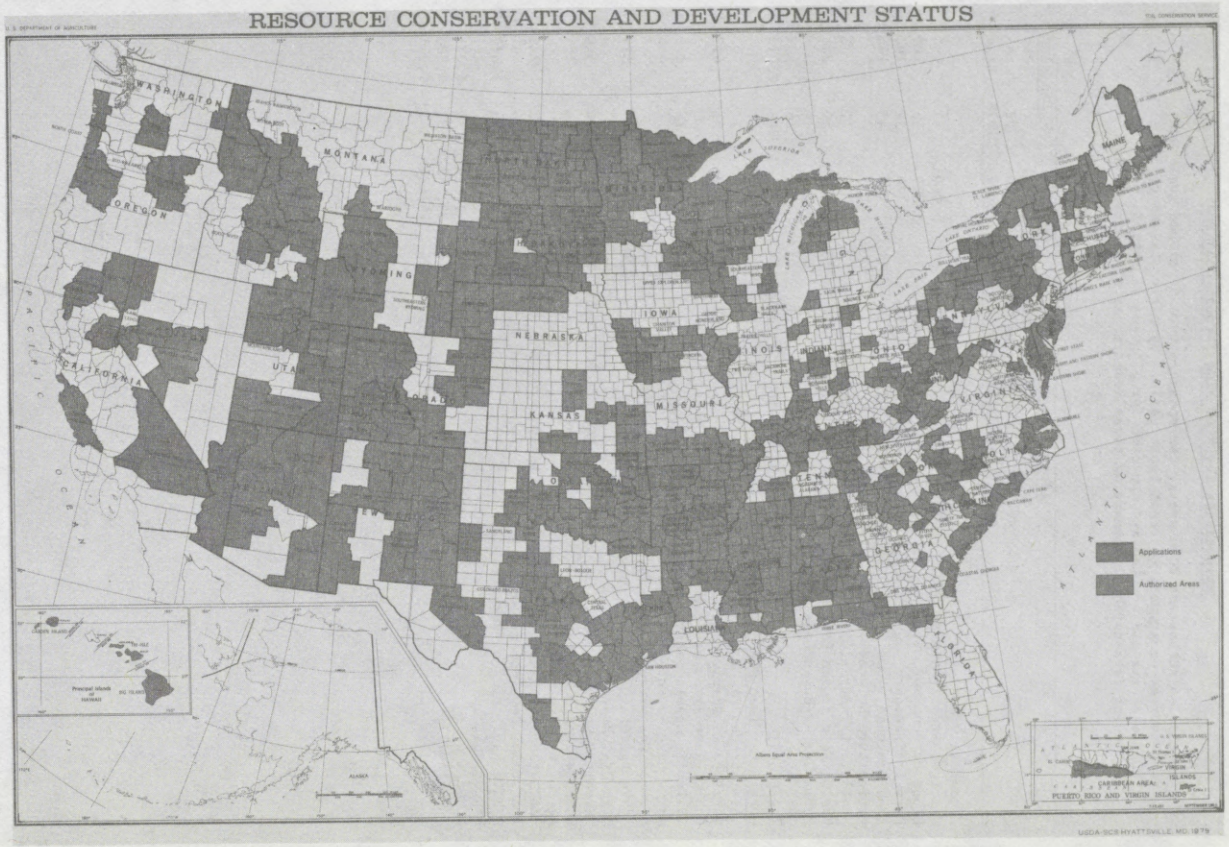
State	Applications on Hand			Authorized for Assistance		
	No.	Acres (000)	Counties Involved	No.	Acres (000)	Counties Involved
Alabama	3	11,942	24	5	18,629	41
Arizona	1	15,356	4	4	44,151	12
Arkansas	3	9,223	20	5	24,359	55
California	3	25,765	15	3	13,748	10
Caribbean Area				2	875	6
Colorado	2	11,010	11	5	39,715	40
Connecticut				2	2,128	8
Delaware				1	1,266	3
Florida				3	9,985	22
Georgia	2	1,253	6	6	8,394	39
Hawaii	1	402	1	2	3,298	2
Idaho				4	32,425	29
Illinois				4	9,296	31

Status of Resource Conservation and Development Program
as of September 30, 1979

State	Applications on Hand			Authorized for Assistance		
	No.	Acres (000)	Counties Involved	No.	Acres (000)	Counties Involved
Indiana	1	1,972	8	5	7,497	31
Iowa	1	3,018	8	5	8,619	26
Kansas				5	15,673	34
Kentucky	1	2,533	10	5	9,843	39
Louisiana	1	4,332	11	3	9,375	21
Maine				4	9,298	15
Maryland	1	3,049	9	1	668	3
Massachusetts				2	2,267	7
Michigan				4	19,229	39
Minnesota	2	17,961	14	4	25,791	43
Mississippi	1	2,710	7	4	27,467	76
Missouri	1	2,766	9	5	17,653	43
Montana				3	16,857	12
Nebraska				2	16,664	17
Nevada		55	4	2	19,919	12
New Hampshire				1	3,161	4
New Jersey				2	3,071	11
New Mexico				6	63,853	31
New York	2	5,051	13	5	16,180	24
North Carolina	4	6,428	20	6	11,644	35
North Dakota	3	13,671	14	5	30,734	39
Ohio				5	8,028	26
Oklahoma	5	16,487	32	4	16,808	31
Oregon				4	16,639	15
Pennsylvania	1	2,550	7	4	11,933	24
Rhode Island				1	677	5
South Carolina	1	1,856	3	4	9,128	23
South Dakota	4	27,506	34	4	16,708	25
Tennessee				4	9,621	37
Texas	9	43,966	67	9	35,836	61
Utah	3	20,127	12	3	22,363	11
Vermont				2	3,156	10
Virginia				1	2,018	8
Washington				2	7,310	6
West Virginia				5	12,052	44
Wisconsin	3	6,246	17	4	22,581	39
Wyoming				3	39,903	17
TOTALS	59	257,235	380	184	778,493	1,242

For multistate applications and areas: The number is tabulated for the State having leadership. The acreage column reflects actual acreage in each State. The counties involved column reflects whole and part of counties in each State.

For those States having counties that are involved in more than one RC&D area, the counties involved column figure will reflect this duplication. This duplication will also be reflected in the national total.


RESOURCE CONSERVATION AND DEVELOPMENT STATUS
U.S. DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE
WASHINGTON
OREGON
CALIFORNIA
MONTANA
WYOMING
UTAH
COLORADO
NEBRASKA
KANSAS
IOWA
MISSOURI
ILLINOIS
INDIANA
OHIO
VIRGINIA
GEORGIA
FLORIDA
LOUISIANA
MAINE
PACIFIC OCEAN
ATLANTIC OCEAN
Applications
Authorized Areas
Albers Equal Area Projection
Principal Islands of HAWAII
ALASKA
CARIBBEAN AREA
VIRGIN ISLANDS
PUERTO RICO AND VIRGIN ISLANDS
USDA-SCS-HYATTSVILLE, MD.-1979

Implementing the RC&D Plan Through Measures

In the 184 authorized RC&D areas, the sponsors have developed goals and set courses of actions to reach those goals. Specific actions called RC&D measures are adopted and approved for planning of action. The following is a national summary of those measures as of September 30, 1979.

	Adopted		Planned		Completed		Canceled	
	FY 1979	Total to Date	FY 1979	Total to Date	FY 1979	Total to Date	FY 1979	Total to Date
Financially assisted								
Critical Area Treatment	77	3,532	55	1,593	108	960	89	554
Flood Prevention	29	2,513	12	424	16	329	115	789
Farm Irrigation	9	728	3	92	5	76	22	197
Land Drainage	15	726	10	150	14	106	43	146
Agriculture-Related Pollutant Control	3	148	0	30	3	30	2	32
Public Water-Based Recreation	24	1,297	19	177	15	59	56	266
Public Water-Based Fish & Wild.	3	405	1	37	3	21	16	109
Subtotal	160	9,349	100	2,503	164	1,581	343	2,093
With Other Than RC&D Financial Assistance:								
Accelerated Services	7	1,714	0	838	21	643	21	413
Public Recreation or Fish & Wildlife Developments	110	5,127			202	1,961	77	1,179
Water Developments	27	1,565			51	534	21	440
Special Resource Studies & Inventories	244	4,797			234	2,519	49	577
Highways, Roads, Trails, & Scenic Highways	18	1,514			42	520	29	308
Cooperatives & Associations	14	414			9	189	14	101
Agric. & Forest Product Proces. or Marketing Indust	44	1,059			38	398	22	226
Industrial Development	33	755			17	391	14	151
Public Facilities or Services	137	6,950			291	3,100	90	1,090
Educational	130	1,910			116	974	27	251
Other	269	5,689			289	2,624	138	1,072
Subtotal	1,033	31,494	0	838	1,310	13,853	502	5,808
Totals	1,193	40,843	100	3,341	1,474	15,434	845	7,901

Passenger Motor Vehicles

The 1981 estimate for passenger motor vehicles proposes the purchase of 50 additional and 390 replacement vehicles.

Passenger motor vehicles of the Soil Conservation Service are distributed among 50 State Offices and Puerto Rico, 230 area offices and various technical specialists located at field headquarters. None of these vehicles are used in Washington, D.C. Vehicles are used in rural and other areas where common carrier facilities are either non-existent, uneconomical, or inadequate. The nature of the travel requires a high degree of mobility with frequent stops at field offices, job sites, and other places not serviced by common carrier. Resident technicians servicing farmers and ranchers in conservation districts use pickup trucks rather than passenger vehicles.

Passenger motor vehicles are generally assigned to an office location and not exclusively to one individual. This allows several employees to rely on the use of a single vehicle, thus maximizing utilization, and minimizing the number of vehicles needed.

On September 30, 1979, the Soil Conservation Service had 2,384 passenger cars in a total fleet of 11,208 vehicles. The fleet includes pickup trucks, sedan deliveries (light trucks), and jeeps. The Service also had 11 heavy trucks and 88 special purpose vehicles at selected locations.

Purchase of Additional Passenger Motor Vehicles. SCS proposes to purchase 50 passenger motor vehicles in fiscal year 1981 to replace a like number of light duty, 4X2, pickup trucks. This continues a planned gradual reduction in the number of light truck type vehicles that have reached age and mileage requirements for disposal. Sedans in the SCS fleet are more fuel efficient than trucks and, therefore, reduce the amount of petroleum energy needed.

Personnel working in urban areas with planning commissions, city, county and State governmental units, and other local groups often need passenger vehicles which can carry additional passengers. Some travel is performed on parkways and other limited highways which prohibit trucks.

Replacement of Passenger Motor Vehicles. The fiscal year 1981 estimates provide for the replacement of 390 passenger motor vehicles during the fiscal year. The vehicles proposed for replacement have been driven more than 60,000 miles or are more than 6 years of age or will be beyond economic repair due to accident or other causes.

SCS is continuing a sound and effective replacement program. During fiscal year 1979, 283 replacements were purchased. Economy of operation and expected use factors will be taken into consideration as well as prescribed age and mileage standards in planning replacements in 1981.

Age and mileage data for Soil Conservation Service passenger motor vehicles estimated on hand September 30, 1979, are as follows:

Model	Number of Vehicles	Percent of Total	Lifetime Mileage (Thousands)	Number of Vehicles	Percent of Total
1972 and older	282	11.8	60 to over 100	565	23.7
1973	250	10.5	50-59	214	9.0
1974	342	14.3	40-49	281	11.8
1975	351	14.7	30-39	320	13.4
1976	260	10.9	20-29	415	17.4
1977	447	18.8	10-19	338	14.2
1978	250	10.5	1-9	214	9.0
1979	202	8.5	Under 1	37	1.5
TOTAL	2,384	100.0		2,384	100.0

WEDNESDAY, MARCH 5, 1980.

AGRICULTURAL MARKETING SERVICE

WITNESSES

P. R. "BOBBY" SMITH, ASSISTANT SECRETARY FOR MARKETING AND TRANSPORTATION SERVICES
BARBARA LINDEMANN SCHLEI, ADMINISTRATOR
JOHN T. REEVES, DIRECTOR, FINANCIAL MANAGEMENT DIVISION
PASCHAL O. DRAKE, ACTING DEPUTY ADMINISTRATOR, PACKERS AND STOCKYARDS PROGRAM
STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. WHITTEN. The Committee will come to order.

It is a pleasure to welcome before our Committee Mr. P. R. Smith, Assistant Secretary for Marketing and Transportation Services; Barbara Schlei, Administrator, Agricultural Marketing Service; John T. Reeves, Director, Financial Management Division, Agricultural Marketing Service; and Stephen B. Dewhurst, Budget Officer, Department of Agriculture.

We are delighted to have all of you with us today. As you can see, our colleagues are spread rather thinly with 10 or 12 subcommittees all meeting at the same time. We are glad to welcome you back with us. I don't know of any time in recent history that we have faced greater problems. Our hearings so far have made me believe that we have more internal problems in the Department of Agriculture than I heretofore have realized.

It seems that the Department has by and large taken the view that anything not specifically prohibited by law is therefore authorized. We are finding that many programs have been initiated but the authorizing law has been passed since we last appropriated funds. Therefore, no funds have been appropriated for that purpose. The change in many of these programs has been at the expense of the regular operating programs. Programs which brought us to this present level where we have the most abundant food of any country in the world at the most reasonable price.

Yesterday we had the Farmers Home Administration and at the top level I did not find anybody who knew anything about agriculture, as such, on your side of the table.

I think the opening statement by the Assistant Secretary did not have the word "farmer" in it. It did mention family farm in one instance.

The head of the Farmers Home Administration in turn made quite a lengthy talk but he never did talk about the prime purpose of the organization which is to deal with agriculture.

It leaves this Committee with the rather serious problem of whether to appropriate by line item, which was done for many, many years. That was done so there could be no misunderstanding. I mention that in hopes that you will be able to tell us today that you are abiding by Section 628 of Title 31 of the U.S. Code which says "money shall not be expended except solely as appropriated by the Congress." We have not had that showing up to this point.

We would be glad to hear from you at this time.

Opening Remarks of Secretary Smith

Mr. Smith. Thank you, Mr. Chairman.

I am pleased to be here today to discuss the programs of the Agricultural Marketing Service. In the coming year we will see many challenges to our ability to assure continued orderly marketing of farm products. Of particular importance will be the impact of the advancing role of electronic marketing. Our programs must be able to respond to the varying complexity of this and other issues to the benefit of farmers as well as consumers.

We have carefully reviewed the objectives of the Agricultural Marketing Service to assure the best use of resources to aid the marketplace. We feel it is imperative that additional funds be provided for the reporting of meat prices and the tobacco inspection program. At the same time, we feel the Payments to States program, which has been in existence since 1948, has given the States the capability to effectively respond to their marketing service needs and we are therefore proposing to eliminate Federal participation beginning in Fiscal Year 1981.

The Department is also requesting funds to continue operation of the market news offices in FY 1981 which the conferees had requested the Department to maintain in FY 1980. Funds will be restored to those activities which provided funds to maintain the offices in FY 1980. In addition, increased funding is requested for all ongoing programs to enable us to maintain them at the level of activity provided in FY 1980.

With your permission, I would ask that Barbara Schlei, the Administrator of the Agricultural Marketing Service, discuss the detailed budget and program changes for fiscal year 1981.

Mr. Whitten. We welcome you back with us again, Ms. Schlei. We will be glad to hear from you. You might provide for the record a biographical sketch of anyone appearing before the Committee for the first time.

[The biographical sketch follows:]

Biographical Sketch of Paschal O. Drake

Paschal O. Drake was made Associate Administrator for the Packers and Stockyards Administration on August 28, 1977. Effective October 1, 1979, Mr. Drake was named Acting Deputy Administrator for the Agricultural Marketing Service. A native of San Angelo, Texas, Mr. Drake obtained both his B.S. and M.S. degrees in agricultural economics from Texas A&M University. He was a

fighter pilot during World War II. Mr. Drake has been with the Department of Agriculture since 1951 and has prior experience in ranching, meat packing, managing livestock auctions, and has served as livestock dealer and order buyer.

Opening Remarks of the Administrator, Agricultural Marketing Service

Ms. Schlei. Thank you, Mr. Chairman, and members of the committee. I appreciate the opportunity to appear before the committee to discuss the programs of the Agricultural Marketing Service and our funding needs for fiscal year 1981.

I would like first to introduce Mr. John T. Reeves, who is the Director of our Financial Management Division, and Mr. Paschal O. Drake who is the Acting Deputy Administrator of our Packers and Stockyards program.

The primary mission of the Agricultural Marketing Service is the orderly and efficient marketing of agricultural commodities for the benefit of our farmers. During this past year, our total food expenditure was $212.4 billion. Of that amount 68 percent was spent on the marketing bill and only 32 cents of every food dollar was returned to our farmers.

In order to continue responding to this everchanging market structure, and to meet the continuing needs of our farmers, we are requesting several changes in our fiscal 1981 budget. We have no program changes to bring to you, nor have we had any program changes or any new programs during 1980. We have had one organizational change, Mr. Chairman. During the past budget year, the Department transferred to us certain marketing programs that had been administered by the Science and Education Administration. This is our wholesale market and development group. We have combined this group with our Payments to States program and our statistics staff. We feel that we are moving forward successfully and aggressively in administering this important marketing program.

FISCAL YEAR 1981 BUDGET

The total budget request of the Agricultural Marketing Service for fiscal year 1981 is $70.7 million with $50 million in appropriated funds. This request includes a net increase in appropriated funds of $336,000. The changes include four increase items and one decrease item which I would like, if I may, sir, to discuss with you in some detail.

MEAT PRICE REPORTING

The first increase item is in the amount of $505,000 to expand our reporting base for meat price reporting. Our Federal-State market news program assists farmers in determining when, where, and at what price to sell their products and provides reliable commodity price information for the use of everybody in the agricultural marketing chain.

This is accomplished by collecting, analyzing, and disseminating timely and accurate information on price, demand, movement, volume and quality of most agricultural products.

Following our initial investigation of the beef pricing system, the

Secretary established a meat pricing task force to review both the meat pricing system and meat price reporting system. The principal findings of that investigation and that task force, were that 70 percent of all carcass carlot sales of beef were formula based on the Yellow Sheet published prices, which were in turn based on only 1.7 percent of the total Federally-inspected steer and heifer slaughter.

The Meat Sheet published carcass beef prices based on only 1.6 percent of the total Federally-inspected slaughter.

Another indicator of the thin market is the fact that the Yellow Sheet published prices for steers during July were based on 3.8 transactions per day. For heifers they were based on 5.1 transactions per day. The Meat Sheet published prices on steers were based on 3.7 transactions per day, and for heifers on 4.7 transactions per day.

Our livestock and meat market news program issues price quotations based on 4.6 percent of the total Federally-inspected steer and heifer slaughter. Thus, both Federal and private meat price reports are based on a small number of open market negotiated sales provided by a small number of traders in the meat industry. Because of this market thinness meat prices can be artificially inflated or depressed. This is one of the major problems studied by the Secretary's task force on meat pricing.

A primary recommendation of the task force was to expand the reporting base for meats by increasing the number of transactions voluntarily reported by both buyers and sellers. To implement this recommendation, we are requesting a budget increase that will allow AMS to issue a daily national mailed meat report developed from an expanded data base.

TOBACCO GRADER ROTATION

The second increase item that we would like to bring before you is in the area of inspection, grading, and classing. The standardization and grading program through the use of commonly accepted standards of quality, permits buyers and sellers to negotiate transactions with the assurance that the product's quality is understood by all parties concerned.

We are requesting an increase of $330,000 in order to more extensively rotate tobacco graders. Currently, graders are rotated to the extent that our funds allow. However, tobacco graders, who are often tobacco producers, sometimes have to be stationed in the same geographic area where they live. We believe that in the best interest of those served by the program, we need to increase our capability to move graders from their home market to eliminate even the appearance of a conflict of interest. The additional funding will provide travel monies to enable us to rotate these graders.

RESTORATION OF TRAVEL FUNDS

For the third increase item, Mr. Chairman, we are requesting $304,000 to restore funds to activities in the marketing service fund. In fiscal year 1980 the Congress requested that we keep open several market news offices that were scheduled for closing. However, they did not appropriate funds to keep those offices open. To provide for the con-

tinued operation of those offices during 1980, we temporarily reprogrammed $304,000 to the market news activities from our other marketing service fund activities. The impact of taking the $304,000 from these activities has been to decrease our agency's ability to carry out its objectives. In fiscal year 1981 we need to restore the reprogrammed funds to the activities from which they were taken in 1980. As a result, we need an increase of $304,000 in order to continue the operations of these offices in fiscal year 1981.

INCREASED OPERATING COSTS

The fourth increase item is for $797,000 to offset the increased cost of operating our programs and to support the fiscal year 1980 pay cost increase. This will permit us to maintain our current program performance level.

Finally, Mr. Chairman, the Department recommends elimination of the Payments to States program in the 1981 budget. This will result in a decrease of $1,600,000. The purpose of this program has been to work with State departments of agriculture on programs designed to improve the marketing system for agricultural products.

Mr. Chairman, this concludes my overview of our program, and the fiscal year 1981 budgetary changes for AMS. I would be happy to respond to any questions that you might have.

Mr. WHITTEN. Thank you very much, Ms. Schlei.

Without objection, we will insert in the record your entire prepared statement and the Explanatory Notes.

[CLERK'S NOTE: The full text of Ms. Schlei's statement appears on pages 853 through 856 and the Explanatory Note appear on pages 857 through 905.]

PACKERS AND STOCKYARDS PROGRAM

Mr. WHITTEN. Again, Ms. Schlei, we are indeed glad to have you with us.

I take notice of the fact that there is a change in the administration of the stockyards program. There was a resignation there that I can understand based on what I know about the circumstances.

For years I had lots of complaints because the people in the packing business, particularly small yards, felt that they could not get anyone to make a decision. When Mr. Freeman was the Secretary, he discussed it. Mr. Freeman thought the Stockyards Act should be somewhat independent of the Department so the complaints could go right to him. We decided to see if it would work better that way, because it seemed difficult to get up to the level where somebody could make a decision. That seemed to work all right.

Then a few years ago, you put it back under AMS. I am sure that the individual who had it perhaps was disappointed that it was not as independent as it might have been.

What has been your experience with the Packers and Stockyards Act? Has it worked well within the Department, or under AMS as you now have it? I note that in the case of scale weighing there is quite a high percentage of instances where the scales are off. I don't, from your statement, see the percentage of complaints that might have reached you regarding the Packers and Stockyards Act.

But briefly, could you or Mr. Smith discuss with us how it has operated and if it has been successful? I may say here that I, like many people, judge whether something runs smoothly by whether or not I hear complaints. I must say that I have had no complaints that I recall. It may be that I have had a few.

I am not talking about decisions you might make, but I have heard no complaints about the inability to get through to somebody at the top.

Would you discuss briefly your own observations?

Ms. SCHLEI. I would be delighted to do that, Mr. Chairman. I am vitally interested in the very important work of our packers and stockyards program. I welcome the opportunity to personally and directly undertake and supervise that work. My policy has always been to maintain a very open office in which I am at all times personally available to any member of the industry that has anything that they would like to discuss with me. I feel it is crucially important that we run our agency in a way that makes us open and accessible and available at all times, both here in Washington and by going out in the field and meeting directly, as I have done, with industry groups. I go and visit stockyards and packing plants and personally oversee this work in a very personal way.

Our packers and stockyards program employs only 241 people. That is a very small size unit to stand on its own in terms of economies of scale and in terms of providing the kind of support services which can drain an organization if it is independent. But as a part of AMS, those support services can be provided through our own management group.

FISCAL YEAR 1980 PACKERS AND STOCKYARDS BUDGET INCREASE

In fiscal year 1980 we asked for, and received, an increase in our packers and stockyards program which enabled us to expand work in the area of commercial bribery.

During 1978 our packers and stockyards program was able to initiate only 28 commercial bribery cases. With the additional funding that was given to us for fiscal year 1979, we have been able to initiate 52 cases involving commerical bribery. We have managed to obtain 17 final administrative orders, cease and desist orders, under that program during this year. Three of those cases were appealed. All 17 decisions were favorable to us. All three court decisions were favorable to us, including one Court of Appeals decision by the Tenth Circuit which affirmed one of our cease and desist orders.

SCALES AND WEIGHING

We believe that our traditional work in assuring accuracy of scales and weighing is going very well, Mr. Chairman. This is a vital part of our work, and an important part of the protection provided to producers. We do not intend to let up in any way in this area.

ENFORCEMENT OF 1976 AMENDMENTS TO THE ACT

We will continue to emphasize the enforcement of the 1976 amendments to the Packers and Stockyards Act. These include packer bonding, packer trust provisions, requirements for prompt payment for livestock, temporary injunctions, civil penalties, and jurisdiction over wholesale meats, brokers, dealers, and distributors. I think we now have successfully completed the initial implementation of the 1976 amendments.

Finally, and most importantly, I believe that the mission of packers and stockyards is to ensure fair and open competition in the livestock, meat, and poultry industries. During this year, we plan to emphasize our work under Section 202 in our continuing work in the problem areas of concentration, vertical integration, and accurate pricing efficiency and price reporting.

SCALE INACCURACIES

Mr. WHITTEN. Thank you very much. I notice in your examination of livestock scales some specific reports on the accuracy of scales of various types—monorail scales inaccurate 26 percent of the time and vehicle scales inaccurate 21 percent of the time. Is that not a rather high percentage, and is there anything we can do? What is the penalty for these inaccuracies?

I noticed the inaccuracy is on the side of weighing light rather than heavy.

Ms. SCHLEI. Mr. Chairman, looking back over a number of years in which we have been conducting this work, we do not feel that this year's performance is a uniquely high number of inaccuracies. These are very highly technical pieces of machinery and the constant calibration of this machinery is terribly difficult and also terribly important to assuring producers that they are going to get the fair value of their product.

What we do is to go in and constantly review the scales to make sure that they are in correct functioning condition and ensure that they are properly calibrated and to ensure that no scale may be used until it has gotten back into perfect functioning.

[Additional information follows:]

There has been improvement over the past several years. However, the rate of inaccurate scales continues to concern us.

We constantly review the performance of scales to make sure that they are functioning correctly, properly calibrated, and to ensure that no scale may be used until it has been repaired, tested, and is operating properly. Our problem scale program focuses priority on those scales that are inaccurate too frequently.

PERCENTAGE WEIGHING LIGHT

Mr. WHITTEN. When the variation is from 16 to 60 percent, that is quite a variation. But when you look further and see that about two-thirds of the time it was in error on the side of weighing light, would you think that was the fault of the manufacturer? Do you

suppose that when he sent the equipment out he provided that it was inaccurate and would be on the right side as far as the purchaser was concerned?

Ms. SCHLEI. I think your point is very well taken. I think we might well during the coming year increase our efforts to see that this aspect of our work does not slide. However, I might point out to you that if we look at the percentages from 1978 to 1979 of inaccuracies, we would not see any significant difference in our findings during that two-year period.

[Additional information follows:]

There are several reasons why more scales are found to weigh on the light side than on the heavy side. The manufacturers of the equipment have no control over the weighing pattern of a scale after several years of operation. Age is one factor since almost one-fourth of the livestock scales are twenty-five years old or more. Since a scale is a mechanical device, wear of pivots and bearings affect performance. Such things as friction wear, bind between deck and pit wall, debris in the pit interfering with movement of the scale, normally slows up the response of a scale and this would cause the scale to weigh light. Since these problems are incident to scale use and age, in the normal course of events scales will tend, on the whole, to weigh light.

If a device were adjusted to compensate for a condition which caused a scale to be inaccurate and this condition was subsequently eliminated, such as the removal of a rock lodged between deck and pit wall, the scale would then indicate a plus error, since the scale had already been adjusted to compensate for this problem. Our analysis of inaccurate livestock scales indicated about 50 percent of the scales tested weighed light, about 25 percent were weighing heavy, and about 10 percent had out-of-tolerance errors in both directions. The remaining 15 percent were rejected as inaccurate for other reasons than weighing light or heavy, such as inability of a scale to maintain a zero weight on the balance indicator.

Mr. WHITTEN. In other words, you are admitting that you have been unable to stop it. If it has continued at this same level, it means that you have not been able to improve it. Is that what you are trying to prove?

Ms. SCHLEI. That would indicate that you are correct, Mr. Chairman.

[Additional information follows:]

Improvements in the accuracy of weighing have been made, but not as much as we would like to see. We have been successful in reducing the percentage of inaccurate livestock scales—from 19.8% in 1974 to 15.7% in 1979. Percentage errors for monorail scales, a more sophisticated weighing device, have been reduced from 31.1 to 26.3 during the same period.

Mr. WHITTEN. Can we expect improvements in the future? Or are you just going to give up?

FRAUDULENT WEIGHING

Ms. SCHLEI. No, sir. I would just like to differentiate between two things. One is inaccuracy of scales. The other is fraudulent weighing. These two are very distinct aspects to the problem.

One of the things we do when we believe it is not a problem in calibration, but that there is a problem of fraudulent weighing, we literally bring cattle which we have pre-weighed through the scale. We weigh the cattle on scales that we know are properly calibrated. Then

we take that cattle and bring it through the scales of the plant, weigh it again, and we will do this for two or three loads of cattle to bring an actual case which is a fraud case. This is not what is reflected in these figures.

[Additional information follows:]

We weigh the livestock on scales that we know are accurate. In checkweighing, we reweigh livestock on the same scale on which they were previously weighed and weigh them again to compare the weight at which they were sold to our own check weights. We will reweigh several head of livestock from several different buyers' pens.

Mr. WHITTEN. Where are those employees that drive the cattle through carried?

Ms. SCHLEI. Those weighing the cattle would be AMS employees.

Mr. ANDREWS. They say they run pre-weighed cattle over the scales. Where do you pre-weigh them? In the same stockyards?

Ms. SCHLEI. We weigh them some other place and bring them in.

[Additional information follows:]

Normally in this type of weighing investigation hogs are sold to buying stations. The hogs are weighed at some other location before they are weighed at the buying station.

Mr. ANDREWS. How do you figure the shrink?

Ms. SCHLEI. We have a formula that we figure the shrink on and then we take them back and post-weigh them.

[Additional information follows:]

The hogs are denied access to feed and water the night before sale, so they are shrunk out. They are then hauled to a location in the vicinity of the buying station and weighed before being sold.

Mr. ANDREWS. You could have shrink running from three percent up to 10 percent on a three-mile haul and nobody knows exactly what that shrink is going to be, unless you know how full the critter is.

Ms. SCHLEI. We are aware of the problem, and that is why we always use livestock that is shrunk out.

Mr. ANDREWS. I am sure you are aware of the shrink problem. Everybody in livestock is. The only thing is that I have never found anybody in the livestock industry that can guess within five percent what the shrink is going to be. If you haul them to a scale, you don't know whether the shrink was between where you weighed them first, and the place you are checking, or the place you are checking and where you go back to weigh them the second time.

Ms. SCHLEI. That is correct, sir. And for that reason, we have a special set of scales that we bring in a truck and we use that scale to pre-weigh the animal.

[Additional information follows:]

The time interval between weighings when we sell pre-weighed livestock is only a matter of 10–20 minutes. From experience, we find that the shrink factor is eliminated.

Mr. ANDREWS. That makes more sense than what you said first—weighing them at a different place and then bringing them in. It eliminates some of the shrink, although if you are going through a stockyard, you are going to have an awful lot of shrink just jostling them through the corrals and the chutes before you get to the scale.

Ms. SCHLEI. We appreciate that, sir. The other way we try and account for that problem is that there is a shrink factor for the animal starting 24 hours before the weighing in the truck that we try to calculate into that equation.

[Additional information follows:]

That is why we only sell livestock that is shrunk out and why the animals are weighed immediately after unloading from the truck.

Mr. MYERS. Even certain breeds will shrink more than others. I think that is what he is saying. Have you had any successful prosecutions using this procedure?

Ms. SCHLEI. Yes, sir. We attempt to minimize shrink as a factor. Our prosecution rate has been about 100 percent successful under this procedure.

Mr. ANDREWS. Thank you, Mr. Chairman.

SCALE INSTALLATION REQUIREMENTS

Mr. WHITTEN. Do you have any requirement with regard to the installation of new scales, or any certificate from the manufacturer that they are installed properly? How do you go about seeing that they are set right at the outset?

Ms. SCHLEI. Sir, we work with the Bureau of Standards and all scales must meet their various standards and weighing procedures before they can be installed.

[Additional information follows:]

We issue a publication with our recommendations on the selection, installation, and maintenance of scales. We work closely with the National Bureau of Standards to insure uniformity in our code of specifications, tolerances, and other technical requirements for scales. In the final analysis we say that the scale must perform accurately.

Mr. WHITTEN. Do you require a certificate from a manufacturer? How do you keep up with whether that is done or not? You are talking about the rule now, and I am talking about the actual practice.

Ms. SCHLEI. Mr. Whitten, we will be happy to introduce Mr. Pat Drake. Mr. Drake is our Acting Deputy Administrator for our packers and stockyards program.

Mr. WHITTEN. We will be glad to have you turn to the proper person to answer any of the questions.

Mr. DRAKE. Mr. Chairman, and members of the committee, all of these scales are new scales before they are purchased. There are only about half a dozen manufacturers in this country. Before they are installed, either on a public market or registered subject to the Act, they have to be tested by a certified scale-testing company before they can be used. Then they have to be tested a minimum of twice a year to see that they continue to meet those standards.

[Additional information follows:]

All scales subject to our jurisdiction are manufactured by about half a dozen firms in this country. The National Bureau of Standards has a program whereby they make prototype examinations of new devices or new models for conformance with design requirements. We work closely with the National Bureau of Standards to assure that these new devices also conform with our requirements.

After scales are installed, either at a public market or by a registrant subject to the Act, they are required to be tested by a competent scale testing agency before they can be used. A report of the test is submitted to one of our regional offices. We attempt to supervise the initial test on all installations of new scales to further determine compliance with our code of specifications, tolerances, and other technical requirements. After the initial test the scales are required to be tested a minimum of twice a year to see that they continue to meet these standards.

Mr. WHITTEN. Thank you very much. I was not trying to show that the percentage was any higher. I do realize that this is a problem that you have always had and always will, I guess. I acknowledge I twisted your statement around a little bit. I believe the percentages are somewhat similar to what you have had in the past.

PACKERS AND STOCKYARDS POSITIONS AND BUDGET AUTHORITY

For fiscal year 1981 you have requested $8.9 million to carry out activities under the Packers and Stockyards Act. Will you provide for the record a 10-year table as to the number of personnel and the costs for the record?

Ms. SCHLEI. Yes, sir.

Mr. WHITTEN. Without objection, the record will remain open at this point for the purpose of inserting the additional material.

[The information follows:]

Following is a ten-year table of permanent full-time positions and budget authority provided to carry out activities under the Packers and Stockyards Act.

Fiscal year	Positions	Budget authority
1981 (estimate)	258	$8,892,000
1980	258	8,717,000
1979	241	7,704,000
1978	222	6,674,000
1977	218	6,149,000
1976	194	5,171,000
1975	193	4,899,000
1974	183	4,323,000
1973	188	4,055,000
1972	189	4,006,000

WHOLESALE MARKET DEVELOPMENT PROGRAM

Mr. WHITTEN. We are glad to see that you have restored the item for wholesale market development. I have gone into this in times past. I wondered why one of the individuals was so wrapped up in the subject that sometimes he would talk seemingly forever, about what he was doing. I think I told you that he introduced me one time and by the time he got through the introduction my time was gone. He did a real good job, but that may have been the reason we had him.

I think that to study the wholesale marketing that is set up in many of these cities is a way to really gain support for agricultural programs in Congress. It is a place where urban people can see the benefits. Somebody once described Los Angeles as several hundred towns seeking a city. That meant they did not have a central marketing place.

Are you familiar with that? Have they ever been able to agree on a central market in Los Angeles?

LOS ANGELES COUNTY MARKET DISTRIBUTION FACILITIES

Ms. SCHLEI. This is a serious problem. I am from Los Angeles County, Mr. Chairman. I know that you have been concerned, as we have, with the wholesale market distribution facilities for Los Angeles. We are working closely with them at this time through our wholesale market development program to assist Los Angeles in developing a central marketing concept. We are working both with the County and with the City, and I believe that we will be successful during this year.

Mr. WHITTEN. Plans are underway for a new wholesale market facility in Los Angeles. What are the pros and cons of the proposal as now structured?

Ms. SCHLEI. The current plan in Los Angeles is to rebuild the downtown wholesale fruit and vegetable markets. The proposed plan would accommodate 85 wholesale fruit and vegetable firms and was estimated to cost $61 million in early 1979. The Los Angeles Wholesale Produce Market Development Corporation, the organization to develop and operate the new market, feels that this plan will create a modern, unified produce facility in an industrial area of downtown Los Angeles and help meet the food needs of 14 million southern California residents. They believe that under the plan the facility will provide 2,400 primary and 3,000 secondary jobs and create 500 new direct and 600 new indirect jobs, and that the construction and modernization of the produce market will remove the undesirable influences of the old market areas. They believe the project will be a positive catalyst for upgrading the east side industrial area and is consistent with long-range objectives of the city's community plan for the area and economic development program. They estimate that the new market will generate almost $500,000 per year in tax revenues, about four times the present amount. In addition, a secondary effect can be anticipated on adjacent property including increased property values and tax revenue and demand for supporting service industries requiring new construction, resulting in added employment opportunities and tax revenues.

Some of the deficiencies of the proposed plan are that it provides for only part of the wholesale food firms in the Los Angeles area that need new facilities. According to USDA's 1972 study of the wholesale food marketing facilities in Los Angeles, there was a total of 538 wholesale food firms including meat, poultry, dairy, grocery, frozen food, fish, and shellfish, and 133 fresh fruit and vegetable firms. Of the 133 fresh fruit and vegetable firms, the USDA study showed that 114 needed improved facilities. The proposed present plan would accommodate a total of only 85 produce firms. This leaves 29 fresh fruit and vegetable firms that are in need of new facilities unable to be accommodated in the plan. In addition, some 130 meat, poultry, dairy, grocery, frozen food, and fish and shellfish firms who also need new facilities, according to the USDA study, cannot be accommodated. The proposed plan does not provide facility expansion capabilities. Therefore, as additional quantities of fruits and vegetables have to be handled to satisfy the needs of an increasing population, additional facilities cannot be provided. The proposed location in downtown Los Angeles is surrounded by the same traffic and transportation problems that now plague the existing downtown markets. There is also a serious question

about the economics of using high-priced, downtown land for facilities of the kind necessary to handle fresh fruits and vegetables effectively. Additional costs such as labor, taxes, and facilities necessary to the proposed plan must be paid for. This can only add to the cost of food handled through the proposed facilities.

Mr. WHITTEN. I appreciate the information. Along with members of the Committee, we have visited the San Francisco and other markets. I can realize that when a city grows up like Los Angeles and has spread all over the place there would be a whole lot of problems connected with marketing regardless of what efforts you might make to plan for the proper facilities.

But you are still cooperating with whatever the cities may ask you to do. This is a problem where you do only that which you are requested to do—it is a cooperative program.

Ms. SCHLEI. Only when requested, sir.

CURRENT WHOLESALE MARKET PROJECTS

Mr. WHITTEN. How do you plan to use the $1,351,000? Have you spelled that out, or do you have the cities on a waiting list? Just how do you expect to use that money?

Ms. SCHLEI. Mr. Chairman, during the coming year, we plan to initiate 18 new projects. We have 48 projects currently underway, and we have completed, or will complete during the remainder of this year, 19 projects. Those projects include, for example, in Boston, Massachusetts, the new New England Produce Center and the Boston terminal market, and the new Boston meat market. Those were constructed using plans developed by this program in USDA.

We are projecting that this will result in a savings of approximately $6 per ton in handling costs for produce shipped into that area. The volume of produce that the Boston market is capable of handling has risen by 75 percent.

Another program that we are actively involved in is the Northeastern New Jersey project. The wholesale food distribution facility for the Northeastern part of New Jersey is underway. It will include 643 wholesale food firms who will be employing over 27,000 people.

HUNT'S POINT MARKET

Another program that we are actively involved in is in New York. We have a 450-acre wholesale food distribution center at Hunt's Point, New York. That is being developed on the basis of the study that——

Mr. WHITTEN. On the subject of Hunt's Point, I visited there some years ago. I was there once or twice after it was started and then later, but I have not been back for some time. It has been in existence for a number of years. What are you doing that is new to the area of Hunt's Point?

Ms. SCHLEI. Mr. Chairman, the Hunt's Point terminal is currently owned and operated by the City of New York. The wholesalers, however, have expressed an interest in purchasing the facility. Representatives from New York are going to be meeting with our wholesale market people to discuss this and other issues relating to the Hunt's Point market.

Mr. WHITTEN. In order to save time, would you put into the record a statement with regard to the examples that you used, the New England Produce Center, the Boston market terminal, and the Northeastern New Jersey facility. Please provide for the record a description of those facilities and what you are doing.

Ms. SCHLEI. We would be happy to.

Mr. WHITTEN. Without objection, the record will remain open at this point for the purpose of inserting this additional information.

[The information follows:]

BOSTON AND NORTHEASTERN NEW JERSEY MARKETS

The New England Produce Center and Boston Market Terminal and the new Boston Meat Market in Boston, MA., were constructed using plans developed by USDA. The development of these facilities made possible the relocation of many food wholesalers from their location in the historical Faneuil Hal Market area, which has been restored recently as a national landmark. The initial USDA study estimated that a savings of $6 per ton in handling costs would be possible in the improved facilities. A follow-up study made after the improved facilities were in operation proved not only that the savings estimate was true, but also that the volume of products handled has risen 75 percent over the volume handled in the old facilities.

A study has just been completed to develop a plan for improving the wholesale food distribution facilities in Northeastern New Jersey. The study affects an eight-county area of over 5 million people. The final plan includes 643 wholesale food firms who employ over 27,000 people and handle an annual volume of over $6.5 billion worth of food products. The study was conducted in cooperation with the New Jersey Interdepartmental Committee on a Food Distribution Center, appointed by Governor Brendan T. Byrne.

WHOLESALE MARKET DEVELOPMENT

Mr. WHITTEN. What else has been accomplished during the last calendar year in the wholesale market development program?

Ms. SCHLEI. Several projects were underway last year on planning improved wholesale market facilities. The USDA provided followup technical assistance to New Jersey State officials, food industry representatives, the Hackensack-Meadowlands Development Commission, and the Northern New Jersey banking community on matters of implementing and financing a 400 acre, USDA planned, $164 million wholesale food center in the Jersey City-Secaucus area.

The Western North Carolina Farmers' Market at Asheville, North Carolina, which was developed after a 1977 USDA study, received a $700,000 expansion appropriation from the North Carolina General Assembly to be used to bring the total market size up to that recommended in the USDA study. AMS is providing technical assistance in planning the market's expansion.

A plan was developed for rebuilding the Pompano, Florida, State Farmers' market. The State legislature approved a $5.2 million appropriation to rebuild the market. Assistance is being provided in implementing the plan.

The Portland, Oregon, Development Commission spearheaded a move to develop new wholesale food market facilities in Portland. USDA provided technical assistance on the project.

A study of the wholesale food distribution facilities in the Raleigh, North Carolina, area was initiated at the request of the North Carolina State Department of Agriculture and members of the Raleigh whole-

sale food industry. All food wholesalers are included in the study which is to evaluate existing area wholesale food distribution facilities and to develop a plan for improvement. The field work portion of the study is underway in North Carolina.

Georgia State officials requested AMS help in developing plans for remodeling the Atlanta, Georgia, State Farmers' Market. These plans have been developed and are now being reviewed with local and State officials in Georgia.

Plans for a new market are being developed for Montgomery, Alabama. The plans are being developed in response to a request from a local industry and State government market development committee in Montgomery.

Preliminary planning is underway with the East Tennessee Development District to determine the need for a regional farmers' market in the 16 county district around Knoxville, Tennessee. Technical assistance is being provided at the request of the East Tennessee Development District headquartered at Knoxville. The University of Tennessee is also assisting.

Due to the nature and breadth of the work in planning improved market facilities, significant studies are rarely started and completed within a single year. As studies are completed, work often continues with many implementation processes when requested.

STUDIES UNDERWAY

Mr. WHITTEN. Would you also provide a list of cities where studies are underway or have been completed. Indicate the status of plans for proceeding with construction or modernization of project.

Ms. SCHLEI. At present there are five cities where studies are in progress or where progress is being made in implementing our recommendations. A study to plan a new, efficient wholesale food distribution center for Northeastern New Jersey has been completed. Presentations of the plans have been made to local State and industry officials in New Jersey. A site of at least 400 acres is required to provide the appropriate facilities and space for 176 wholesale food firms included in the plans. Governor Brendan T. Byrne announced the selection of a site in Secaucus for constructing the proposed $164 million wholesale food center. Construction is to be carried out with private funds. The strategy for market development is being formulated by the New Jersey Hackensack-Meadowlands Development Commission.

A study of the wholesale food distribution facilities in the Raleigh, North Carolina, area is underway to determine the need for a new wholesale market center for the area. The study will involve over 200 food wholesalers in an 11-county area around Raleigh. At the same time, over 1,000 farmers and producers of locally grown agricultural food products are being questioned to evaluate the need for improved farmers' market facilities for the area. Both phases of study have just begun. Data accumulation is about 25 percent completed.

A master plan is being developed for a new market for Montgomery, Alabama. Preliminary plans have been developed and are being finalized. A site has been selected and approved by the State, and legislation has been introduced in the State Legislature to provide financing for the new market facilities.

Preliminary planning is underway with the East Tennessee Development District in Knoxville, Tennessee, to determine the need for a regional farmers' market in the 16-county district. AMS technical assistance is being provided at the request of the East-Tennessee Development District headquarters at Knoxville. The University of Tennessee is also assisting.

The Florida State Department of Agriculture and the Florida Department of Consumer Affairs requested assistance from AMS and the University of Florida in planning the modernization of the Pompano State Farmer's Market. The State Legislature has appropriated $5.2 million to carry out the modernization project. Public hearings have been held in Florida on the question of location for the modernized facility. A decision on the location will be made soon by Florida Commissioner of Agriculture Doyle Conner. Implementation of the modernization plan will follow.

NEW MARKETS

Mr. WHITTEN. Would you please provide for the record a list of cities where USDA has assisted in modernizing, improving, and/or relocating wholesale markets, and where the work has been completed. Please give a brief paragraph for each, showing the nature of the improvements, the costs, and the benefits.

Ms. SCHLEI. I would be happy to provide that for the record.

[The information follows:]

USDA has conducted over 70 studies in cities throughout the United States to assist in improving local wholesale markets. These studies have been conducted over a period of years, and, as a result, we do not have a current evaluation of benefits. Unfortunately, due to the large demand for new studies and the small amount of resources available in the past, no follow-up studies have been made to document the actual benefits to each city involved. We did conduct a limited study in Boston, and found that the per ton costs for handling fresh fruits and vegetables at the wholesale level would have been $6 per ton higher if the businesses had not moved from their old facilities.

Some of the more recent studies are outlined in the following table. All work has been completed on these studies except that follow-up technical assistance continues to be provided as needed.

[Dollar amounts in millions]

Year—Market location	Estimated facility construction costs [1]	Nature of improvements
1967—Springfield, Mass	$1.6	New market.
1967—New York, N.Y	200.0	Do.
1967—San Juan, P.R	4.2	Do.
1968—Benton Harbor, Mich	1.0	Do.
1968—Boston, Mass	50.0	Do.
1970—Detroit, Mich	3.0	Modernization.
1970—Honolulu, Hawaii	5.0	New market.
1972—Huntington, W. Va	1.3	Do.
1972—Denver, Colo	8.2	Do.
1976—Baltimore, Md	21.0	Do.
1977—Minneapolis, Minn	1.5	Do.
1977—Asheville, N.C	3.5	Do.
1979—Memphis, Tenn	13.0	Do.
1979—San Antonio, Tex	2.4	Modernization.

[1] Does not include land costs.

MARKETS UNDER DEVELOPMENT

Mr. WHITTEN. Would you also provide for the record a list of cities where such a program is now underway. Would you indicate the status of construction or modernization work and the estimated cost.

Ms. SCHLEI. Facility modernization, expansion, and construction is a continuing process with many markets throughout the country. I would be glad to provide for the record those markets where AMS is providing technical assistance.

[The information follows:]

[Dollar amounts in millions]

Market location	Status of construction or modernization work	Estimated cost
New York, N.Y.	Expansion of fresh fruit and vegetable facilities 80 percent completed.	$3
Asheville, N.C.	Construction of additional market facilities 80 percent completed.	1
Baltimore, Md.	100-percent expansion completed on practically all facilities on the market. Construction of additional facilities now underway 25 percent completed.	Unknown
Portland, Oreg.	Plans completed for new wholesale fruit and vegetable market facilities. Construction pending.	5
Pompano, Fla.	Plans being finalized on modernizing existing marketing facilities. Construction pending.	5
Memphis, Tenn.	Plans completed for a new 300-acre market. Construction of new facilities underway.	13
Pittsburgh, Pa.	Plans completed for modernizing the existing produce terminal market. Construction pending.	1

NEED FOR NEW MARKETS

Mr. WHITTEN. How many cities in the United States do you feel could be significantly helped by having modern wholesale market facilities?

Ms. SCHLEI. We have not conducted a study on this question. However, we do know that cities throughout the United States are distributing food using old, outdated, and inadequate facilities that were never intended for handling food. These cities could be significantly helped by having modern wholesale market facilities. We also know of cities that have built new facilities, but these facilities are now outdated because for various reasons they have not kept pace with the constantly changing technology in food marketing. Food marketing facilities must be modernized and updated continually in order to keep up with changing technology and marketing patterns.

WASHINGTON, D.C. WHOLESALE MARKET DEVELOPMENT PROGRAM COSTS

Mr. WHITTEN. You show, in terms of obligations by States, $1.1 million in Maryland, which would be your Hyattsville office. You show $253,000 for the District of Columbia. What is this amount of $253,000?

Ms. SCHLEI. Mr. Chairman, that would involve all of the operations that we have each year in Washington, including our Division Director's office and all the management costs associated with the program and all of the development work in the program.

Mr. WHITTEN. I wish you would break down for the record just what this is. Your answer is general in nature, so please break down the number of people assigned to the program so that we may tell how

much is overhead and provide a little more detail than you have given us here.

Ms. SCHLEI. I will certainly provide that for the record, Mr. Chairman.

[The information follows:]

BREAKDOWN OF DISTRICT OF COLUMBIA COSTS

The $253,000 represents appropriated funds for seven technical and two management support personnel located in Washington, D.C., who work on the market research and development program.

PAYMENTS TO STATES AND POSSESSIONS

Mr. WHITTEN. Again this year, you are proposing to delete the funds for the Payments to States and Possessions program. When you submitted your 1981 budget request to the Department, did you request any funds for this program and did the Department request any funds for this program from OMB?

Ms. SCHLEI. $1.6 million for the Payments to States program was requested by AMS and approved by the Department. OMB denied this request.

Mr. WHITTEN. Would you please describe for the Committee just how you go about developing a project under this program, taking it from the very start of letting the States know the funds are available, then how you go about reviewing their proposals, how you select which are the most viable proposals, how you validate the funds requested, and how you make the actual award. We would also like to know just how comprehensive these proposals usually are when they are received and the estimated number of manhours involved in the review of each of these projects.

Ms. SCHLEI. We have followed the procedure of writing, each year, to inform each State of the availability of funds. We include with each letter suggested areas of emphasis, guidelines for the program, an application form, and instructions for completing the form. We also issue a press release, at the time of the letter, announcing that the funds are available and the areas of emphasis for the year. While particular areas of work are emphasized, proposals are accepted and considered in any area of marketing. Many projects are discussed with AMS personnel before they are prepared and submitted formally. This reduces proposal preparation time. We are also willing to review rough drafts of projects if States wish us to do so. When a proposal is received, we have it reviewed by AMS personnel, individuals in other agencies in the Department, and if appropriate, persons in other Departments. We may also discuss it with personnel from State Departments of Agriculture. Advice is sought from anyone known to have knowledge or experience in the area of the project. Following the review procedure, we convene an AMS group to determine whether to recommend funding. This group usually considers proposals from several States at one meeting. If funding is recommended and the project is approved by the Administrator, it is sent to the Secretary for his concurrence and announcement.

The projects usually contain a good description of the work to be done when they are received as a formal proposal. The discussions between the State and the agency people, while the projects are being written, generally eliminate rewriting or receiving proposals which are not eligible under the program. Proposals are reviewed by two or three people, and the AMS group is usually six people. An estimate of manhours involved would be slightly over five manhours per project.

PROGRAM HISTORY

Mr. WHITTEN. You state that this project has been underway since 1948. Would you please provide for the record a written history of this program?

Ms. SCHLEI. The first funds under this program were made available to States in 1948. In the first years of the program, projects were very similar in all the participating States. Proposed master projects were provided to the States from which each State adapted its proposal. The first allotments to the States were: $215,000 in 1948; $491,000 in 1949; and $585,000 in 1950.

States have greatly increased their capability in the marketing field since this program was initiated. Most States can now provide a full range of marketing services. Thus, the focus of the program has changed from a building capability in the States to determining the value of or practicality of new marketing services or new marketing concepts with the understanding that the program funds are for a limited time.

Beginning in 1952, National Marketing Workshops were held each year. These National Workshops were continued on a yearly basis through 1967, when they were held alternately with regional workshops through 1974. The most recent National Marketing Workshop was held in 1977. A National Marketing Workshop will be held March 18–19, 1980, in Dallas, Texas. The national and regional workshops were discontinued when funds were not requested for this program. Representatives of the National Association of State Departments of Agriculture requested the workshops held in 1977 and to be held this year.

Except for Arizona and Nevada, all the States and Puerto Rico and the Virgin Islands have participated in the program during its existence. In fiscal year 1979, 17 States participated in the program. Over the period the program has operated, States have entered and left the program in relation to their needs for specific marketing service activity.

The program has operated in close coordination with the State Departments of Agriculture. An Advisory Committee to assist in establishing policy and to determine the thrust of the program existed from 1948 through 1972 when its charter was terminated. We have continued to maintain close liaison with the State Departments of Agriculture even though the Advisory Committee was terminated.

The administration and coordination of the program has been at various employment levels since 1948. The USDA staff to administer the program has ranged in size from one professional to a high of five; at this time, there is one professional assigned to the work.

MAJOR ACCOMPLISHMENTS

Mr. WHITTEN. Would you also list for the record the five greatest accomplishments to come out of this program since its inception?

Ms. SCHLEI. Work of the Payments to States program has been at the forefront of many improvements in agricultural marketing. These funds have provided the risk capital to enable the testing of concepts and practices that individual States generally would not have undertaken on their own. These major accomplishments exemplify the innovativeness of this program.

Major accomplishments on a national basis include the development of capability in State Departments of Agriculture to perform marketing service work. When this was initiated, the program in State Departments of Agriculture was primarily regulatory in nature. Much of the work performed is complementary to USDA programs and is carried out cooperatively. These programs include market news and inspection and grading. The availability of trained State personnel significantly decreases the Federal costs of providing these services to farmers and to agriculture as a whole.

Under this program, the telephone auction method of selling livestock was developed. This procedure was implemented to address the problem of the few buyers at many auctions, the limited geographic marketing area of auctions, discrimination against producers who had only a few livestock to sell, and the non-competitive price structure which resulted under such conditions. The first telephone auctions were for lambs and feeder pigs. This innovative marketing technique is now widely accepted, particularly for feeder pigs and lambs, and is adaptable to any specie of livestock. These markets use graded, commingled sales which allow a farmer with a limited number of livestock to enjoy the same market power as one who sells by trucklot. The system also gives the buyer the opportunity to select from a much larger number of livestock at very low cost. Telephone trading is now widely accepted by buyers and sellers.

Our Payments to States program was the catalyst which led to the development of export expertise in State Departments of Agriculture. Early initiation of this program has been a major factor in our ability to respond to the increased foreign demand for agricultural products. The Foreign Agriculture Service has no staff available to assist exporters or potential exports at the local level. This work which was developed cooperatively with FAS has led to a corps of individuals throughout the States who are working daily with the firms and individuals who are our exporters of agricultural products. The Mid-America International Trading Corporation, MIATCO, an organization of the 12 Midwestern States was developed under this program. FAS now funds MIATCO and has assisted in the development of three additional regional groups of States to develop export trade.

One of our more recent accomplishments has been the development and market testing of computer systems or electronic marketing to enhance trading and competition in the marketing of agricultural products. This system offers great potential benefits to farmers and marketing firms. Projects in this area are currently in progress. Under the projects, buyers and sellers are connected through a central computer, and offers and bids are available to all participants either

through a cathode ray tube unit or a high-speed printer. Projects have been initiated in egg trading, actual trading began late in 1978; in trading slaughter hogs starting in April; trading slaughter cows and lambs beginning in July; and, trading feeder cattle which begins in late 1980. We also have projects to determine the feasibility of electronic trading of feeder pigs and the feasibility of using a computer to establish a multi-commodity trading system.

Many States were assisted in the development of farmer assembly markets and farmers' markets which serve as assembly points and wholesale and retail market outlets. The development of State capability in this area complements the work of the Department in the area of wholesale market development. State employees also assist farmers by providing them with information on market demands such as grade, volume, and packaging to allow additional farmers to enter their production into marketing channels.

The thrust under the Payment to States program has been at the cutting edge of marketing. Projects are funded in areas which are new or to test methods or concepts developed by the research and academic community under real world conditions. For example, we are currently cooperating with Texas to test the transportation of cattle on rail cars which have their own supply of feed and water. The cars eliminate the need to stop for rest, water, and feed. Cattle are delivered with less shrink and more quickly adapt to new location. This system provides a more efficient use of energy than is possible with truck transportation. We are also working with the States where aquaculture is a growing industry, expecially pond-reared catfish, to determine the nature, extent, and demands of the market.

PROGRAM NEEDS

Mr. WHITTEN. Should the Congress decide to restore this program for fiscal year 1981, how would you propose to use the funds; what needs to be done?

Ms. SCHLEI. We would, of course, consult with the State Departments of Agriculture and with various agricultural industries, but our thinking now is that we would have major thrusts in new concepts in pricing and marketing; better market information—gathering, compiling, and disseminating; and market development—both domestic and foreign.

PURDUE FOOD COST SURVEY

Mr. WHITTEN. I would also at this time like for you to tell us what you have learned from the food cost survey that you have going on at Purdue University.

Some years ago, I tried to find out where all the difference is between what the farmer receives and what the consumer pays, that is, where it went. When we got into the part of what went into labor, I believe we had a nine-page letter. However, when I got all through that I still did not have an answer.

Could you bring us up to date in the record on what you have learned at Purdue and a detailed report on that would be appreciated.

Ms. SCHLEI. Certainly.

[The information follows:]

FOOD COST SURVEY

The Purdue University study to determine the value and impact of reporting retail food prices is currently in its final stages. Publishing of prices was completed on February 21, 1980. Prices are still being gathered to analyze changes following the publication period. Also, consumers will be surveyed to determine their perceptions and how they use the published prices.

This project grew out of discussions held by the Department with many groups who had varying opinions as to the value of reporting retail prices. We undertook the study to derive information on the relationship between price changes at the store level and at the farm level; determine the value of such reporting, and the effect of such reporting on stores.

No findings are available to date, although some general observations might be made; not all stores in a market will cooperate in such a study, newspapers are under pressure from stores to discontinue reporting prices, and store managers react differently in their pricing strategies within cities and between cities.

FINDINGS OF PURDUE FOOD COSTS SURVEY

Mr. WHITTEN. Have any preliminary findings been developed under the food costs survey currently underway with Purdue University?

Ms. SCHLEI. No findings are available, although some general observations might be made; not all stores in a market will cooperate in such a study, newspapers are under pressure from stores to discontinue reporting prices, and store managers react differently in their pricing strategies within cities and between cities.

Mr. WHITTEN. Would you please tell the Committee how this proposal originated and when the decision was made to fund it, and at what level it was funded as well as what level of funding was requested in the proposal you received?

Ms. SCHLEI. This project grew out of discussions held by the Department with many groups who had varying opinions as to the value of reporting retail prices. One opinion held that consumers would react sharply to price differences between stores, while others believe that consumers are more concerned with nonprice factors. Also, questions are often raised as to the responsiveness of retail food prices to changes in farm prices for agricultural commodities. We undertook the study to derive information on the relationship between price changes at the store level and at the farm level; determine the value of such reporting, and the effect of such reporting on stores. The study was originally funded at $62,473, the requested amount; but, we underestimated the cost of the project and have since committed an additional $37,791 to it. Our expenses have been matched by the State of Indiana.

Mr. WHITTEN. What do you hope to accomplish with this study?

Ms. SCHLEI. We hope to determine the value, if any, of retail price reporting; how farm price changes are reflected at retail levels, the effect of such reporting on store pricing and advertising patterns; and, the effect of retail price reporting on overall food price levels and consumer food expenditures.

Mr. WHITTEN. Do you have any future plans in this area for additional studies or additional work?

Ms. SCHLEI. Additional work in this area will depend on the findings of this study and how well the objectives have been accomplished. We do not plan to go into the business of reporting retail prices. The results of the current study will be given to any interested—such as States, municipalities, consumer groups and price reporting firms to use in determining whether they wish to report retail prices.

ACCOMPLISHMENTS OF AMS

Mr. WHITTEN. In your witness statement you say that you are proud of your accomplishments in meeting the continuing needs of the agricultural industry and the consuming public. What do you consider to be your major accomplishments during the past three years in this area?

Ms. SCHLEI. I believe the major accomplishments of AMS in meeting the needs of the agricultural industry and consuming public have been in four broad areas—the application of electronic technology to marketing, agency reorganization for more effective program delivery, regulatory reforms, and significant exploration of price discovery systems. I would like to provide specific examples in each of these four areas.

In the area of electronic technology, AMS has begun updating the leased-wire market news system. By updating the leased-wire circuits and installing 1200 words-per-minute terminals, we will achieve almost instantaneous receipt and dissemination of market information to the benefit of all market participants. AMS has also started automating the record-keeping of our Perishable Agricultural Commodities Act program. As a result, licensing and enforcement procedures will be much more rapid and accurate. There will also be a reduction in number of the required forms.

Organizing the new Market Research and Development Division brought together statisticians, economists and industrial engineers to enhance the Department's wholesale market development work. This team now has the necessary expertise to analyze impediments in the marketing chain and to make the needed recommendation to eliminate those impediments.

The most significant accomplishments in the area of regulatory reform is the implementation of the 1976 amendments to the Packers and Stockyards Act. Provisions for prompt payment, bonding, solvency and statutory trust have resulted in $5.5 million dollars being added to the working capital of packers and livestock sellers to recover nearly $4 million in claims filed under bonds and bond equivalents during 1979. At the same time, regulations on stockyard fees have been eliminated. Another major accomplishment was the initiation of an aggressive and successful commercial bribery effort in the Packers and Stockyards program. By reacting swiftly and strongly, we have prevented the bribery problem from getting out of hand.

Our work on various price discovery systems has been an open-minded, straight exploration and analysis of existing systems and possible alternative systems. Our 1978 beef pricing investigation documented the thin market problem that exists in the meat industry and

led to the Secretary forming a Task Force on meat pricing and meat price reporting. Through our Payments to States program, extensive research on applying electronic marketing to various agricultural commodities has taken place. Specifically, the electronic marketing concept is being applied to slaughter hogs, slaughter cows, lambs, feeder cattle, feeder pigs, meat, eggs and cotton. Finally, AMS has analyzed and consolidated its support for cooperatives and marketing orders as a means for producers to enhance thin market power and increase their control over the marketing of their own commodities. Through cooperatives and marketing orders, producers can receive a more equitable share of the retail food dollar based on market supply and demand.

AGENCY PRIORITIES

Mr. WHITTEN. What do you foresee as being your number one priority during the coming twelve months?

Ms. SCHLEI. Mr. Chairman, the number one priority for AMS during the coming twelve months is to address the problems of grain storage and merchandising. AMS inspects warehouses licensed under the U.S. Warehouse Act to assure that they serve the agricultural marketing system by offering a safe place for producers and others to store agricultural commodities at reasonable rates. We are also interested in assuring that warehouse receipts for such commodities have integrity in the marketplace.

Our work in this area has been complicated by the decline in the inspection rate due to the increase in the number of licensed warehouses and by warehouses dealing in the products they store. When warehousemen have financial problems, there is ready access to additional funds through selling the products of others for which they have custody. That is conversion and it is a criminal act. Often associated with conversion is the failure of the warehouse. The question is, what can and are we doing to minimize such losses, without greatly increasing government spending and regulation.

Currently, we are reviewing the present financial and bonding requirements and will strengthen those where necessary. But this does not address the whole problem of warehousemen-dealer-producer transactions.

However, we are reviewing authorities under the Warehouse Act which would permit us to exercise jurisdiction over merchandising activities of licensed warehousemen. Our present efforts under the Act relate only to the protection of warehousing and storage transactions. An alternative solution is the development of a mandatory FDIC-type insurance program for grain and similar commodities, which would insure payment to producers. This idea has great potential and will be carefully analyzed.

Finally, we are considering a Federal-State cooperative program with States having warehouse laws similar to the Federal law. The purpose would be to strengthen both State and Federal programs. Good Federal-State relationships have been developed for market news and the Payments to States program. We believe a similar relationship can be developed for a cooperative warehouse program.

ROLE OF AMS IN FUTURE MARKET DEVELOPMENTS

Mr. WHITTEN. Looking into the future, what do you see as some of the major market developments in the years ahead and what will be the role of AMS?

Ms. SCHLEI. Mr. Chairman, the major market developments in the years ahead depend on developments in the general economy. Today, we see strong inflationary pressures, and simultaneously, a slowdown in economic activity. This economic situation requires us to increase the productivity of our markets by finding and implementing cost-saving technological advances.

This in turn may put enormous hardships on the marketing chain in terms of concentration and integration. Past efforts to capture the advantages of technology meant that firms had to become larger and fewer in number. The problems of integration and concentration already exist in the poultry industry and they are coming quickly in the egg industry. And, we can see these problems developing in the hog and beef industries.

A major role of AMS will be to assure the continuation of meaningful competition without frustrating the application of new, cost-saving technology. This will involve balancing a viable market structure with the implementation of new technology. The market structure must maintain a healthy production base with an adequate return to producers and high quality products.

Mr. Chairman, there is a possibility of other developments which may result in drastic changes to the marketing of agricultural products. These developments are in the fields of energy and transportation. We can already see the increasing economic pressures on these systems. As prices for energy and transportation increase, the comparative advantage some areas have in the production of certain agricultural products will change. Production of vegetables in New Jersey may become more cost efficient than producing them in California and shipping them east.

Thus, the possibility exists for radical change in agricultural markets and the methods we use to distribute agricultural products. The role of AMS would be to work closely with industry to facilitate the change with a minimum of disruption to agriculture.

We will closely monitor the economic conditions to ascertain what is needed to keep American agriculture the most productive in the world.

COMMERCIAL BRIBERY PROSECUTIONS

Mr. WHITTEN. Have there been any significant developments during the past twelve months in your work in the area of investigation and prosecution of commercial bribery practices?

Ms. SCHLEI. During the past 12 months, there have been a number of significant developments in the investigation and prosecution of commercial bribery in the meat packing industry.

Administrative hearings were completed in Los Angeles which involved 2 corporate and 8 individual respondents. We are currently awaiting the decision of the Administrative Law Judge in these cases. All other respondents in the Los Angeles investigation consented to the issuance of cease and desist orders by the Secretary.

In addition, two San Diego meat packers and the corporate principles consented to cease and desist orders by the Secretary and were assessed a total of $20,000 in civil penalties.

An investigation into commercial bribery practices in South Florida has been completed and consent settlements are being negotiated with 4 of the investigated firms.

In a case against a major national beef packer involved in bribing two chainstore executives, the 10th Circuit Court of Appeals affirmed the cease and desist order issued by the Secretary.

We also have major commercial bribery investigations under way in Chicago, Atlanta, and Memphis. These investigations are centering on the practice used by some meat purveyors of bribing restaurant chefs or stewards in return for favored treatment. This practice seriously hampers competition in the industry. Results of these investigations cannot as yet be assessed.

As a result of our investigations, a major trade association has indicated a willingness to cooperate with us in our effort to eliminate commercial bribery practices from their industry.

Mr. WHITTEN. My colleague from Kentucky has a committee over which he presides. Would you like to ask some questions at this time?

Mr. NATCHER. Not at this point, Mr. Chairman. Thank you very much.

Mr. WHITTEN. I yield to my colleague from North Dakota, Mr. Andrews.

PAYMENTS TO STATES PROGRAM ELIMINATION

Mr. ANDREWS. I am concerned about the Payments to the States question that the Chairman just brought up. When we look over the projects funded by the program, we see that several of them deal with programs aimed at increasing exports of farm commodities. Certainly this is an area that I have long felt we need more emphasis on, not less.

We have programs to help the producers and exporters, but we are delinquent in any program set up to help cooperatives or small groups of farmers, generally within a State, to enter the export market.

The Payments to States Program has been some help in filling that huge loophole, but now you advocate eliminating it. The thing that bothers me even more is that you justify it by saying that most State Departments of Agriculture received increased appropriations from their States which has diminished the relative importance of the Federal funds.

In Congress, we would like to favor those programs where there is impact and interest in the local States. What you are essentially advocating in your statement is that if the States are interested and can contribute some money, then we are not going to contribute anything. But, if the States lay back and don't do anything, then maybe there would be some justification for contributing. Is that the case?

Ms. SCHLEI. Mr. Andrews, certainly this has been a valuable and successful program. What the Department is saying here is that in view of our need to hold down Federal spending this year, we feel that in assessing our priorities this is the one program which could be eliminated. It is for that reason that we have proposed to eliminate it. Certainly, sir, you are correct that one of the important thrusts

of this program has been in the export market. For example, in North Dakota, we had a grant of $31,900 to advance exporting of agricultural products. Similarly, we had an export program in Alabama in the amount of $20,000, an export program in Indiana in the amount of $37,919, and an export program in Wisconsin in the amount of $24,000.

Mr. ANDREWS. All of that can be put in the record. Also, can you back up in the record your statements that by the States funding it, that has diminished the relative importance of the Federal funds? Also how do you back up the concept that if there is enough support within a State to move ahead with it, that means the seed money becomes less important.

You are, in fact, taking the incentive away for these States to participate in the program. You are moving away from the grass-roots approach that the Secretary has been advocating for a long time.

Finally, on that item, could you provide for the record your idea of how many States would pick up the Federal share if you do decide to eliminate the program?

You must have looked at that, because you say the program is important. If you eliminate the Federal share, how many States do you feel will move in and pick up the Federal share so that the program can continue to be viable?

Would you provide that for the record?

Ms. SCHLEI. Certainly, Mr. Andrews.

Mr. WHITTEN. Without objection, the record will remain open for the purpose of inserting the additional information.

[The information follows:]

PAYMENTS TO STATE AND POSSESSIONS

We have not made any studies in this area. During the course of the program, States have generally picked up the total costs of viable projects once the Federal participation has ended. Both the States and the Department consider this to be the best way to administer the program.

RECONSTITUTED MILK PROPOSAL

Mr. ANDREWS. There has been a proposal that changes the pricing of reconstituted milk. That comment period, as I understand it, ended on February 29. When do you expect to make a decision on that request?

Ms. SCHLEI. Mr. Andrews, I would anticipate that we would make a decision within six weeks, sir.

Mr. ANDREWS. Within six weeks.

Ms. SCHLEI. Yes.

Mr. TRAXLER. Have you done any preliminary analysis on the impact of the CNI proposal on the dairy industry?

Will you do that before you consider the petition?

Ms. SCHLEI. Mr. Traxler, we have in the process developed an impact statement. That impact statement, along with the almost 4,000 communications that we have received, will all be carefully analyzed in determining whether or not to proceed to a hearing in this matter.

Mr. TRAXLER. Would you also tell us for the record what the Service thinks of the present program and whether or not it has any suggestions as to how it could be improved or modified? Please do that for the record.

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Ms. SCHLEI. Certainly.

Mr. WHITTEN. Without objection, the record will remain open for the purpose of inserting the additional material.

[The information follows:]

MILK MARKET ORDER PROGRAM

The order program has been successful over the years, not only for dairy farmers but for handlers and consumers as well, by providing orderly marketing conditions for the sale of milk at the farm level. This has resulted in adequate milk supplies for consumers at reasonable prices.

One of the reasons for the program's success has been its responsiveness to changes in the dairy industry. The milk business is continually changing, and this means that the order regulations have to change also. Our marketing specialists routinely work with the dairy industry to determine what changes need to be made in the milk order program. In fiscal year 1979, for example, we had twelve order amendments, ten order suspensions, twelve order decisions, fifteen investigations and twelve hearings.

The most major concern in the current program is the impact of the increasing cost of energy. Milk is often moved long distances for processing, and the moving costs can be high. We are working with milk industry groups to determine the needed changes in consideration of these higher costs and to make sure milk supplies continue to meet consumer needs.

Mr. TRAXLER. I noted that of the 2400 comments that you have received on this petition, some 2300 are in opposition to it. I wonder how that fact weighs in your consideration as to whether you are going to have a hearing on the petition?

Ms. SCHLEI. Mr. Traxler, of course all comments that we receive would be considered in our determination as to whether we should proceed to hearings.

Mr. TRAXLER. I know what I would do with the petition, but they did not file it with my office, so I do not have jurisdiction.

CNI RECONSTITUTED MILK PROPOSAL

This is an area in which I am concerned. Some of us are also very concerned about the proposal made by the Community Nutrition Institute to modify the milk marketing order program by changing the way in which reconstituted dry milk is priced. As I understand the situation, as of February 27th—just two days before the end of the public comment period—you had received 2,400 comments on the CNI request for a hearing on their proposal. Of these 2,400, 2,300 comments were in opposition to the proposal. Can you tell me at this time how in the world you can possibly justify holding a hearing on the proposal considering the vast opposition? I know that you have not yet reached a final decision, but I think this would be a good time for you to confirm that you will respond in accordance with public reaction.

Ms. SCHLEI. The Department's decision on whether to call a hearing on the CNI's petition will take into account the legal, economic, and social impacts of the proposal. The public comments will help us determine the extent of these impacts. The decision, however, must be based on the rationale expressed in the comments and not on the popularity of the proposal.

Mr. TRAXLER. Have you done any preliminary analysis on the im-

pact of the CNI proposal on the dairy industry if it were implemented? How many dairy farms would be lost?

Ms. SCHLEI. The Department is now making an extensive analysis of the potential impact of the proposal on the dairy industry. While the analysis is not completed, it appears that under certain assumptions there could be some decrease in the number of dairy farms in certain regions of the country.

REDUCTION IN EGG CONTENT OF WIC PROGRAM

Mr. TRAXLER. I see that the National Egg Board is part of AMS. Some producers from my area have complained to me that the amount of eggs purchased for the Women, Infants and Children feeding program were reduced this year by changing the allotment from 2½ dozen eggs to 2 dozen eggs. This was done because of "administrative problems". Can you tell me whether or not the Food and Nutrition Service consulted in any way with the Egg Board regarding this reduction, and what reasons the Egg Board might have been given by FNS for the reduction?

Mr. SCHLEI. The American Egg Board was not consulted. The authorizing legislation for the Egg Board prohibits them from influencing governmental policy or action in any manner with the exception of recommending amendments to the Egg Research and Promotion Order. Thus, it would not be appropriate for the Food and Nutrition Service of USDA to consult with the American Egg Board regarding changes in the egg allotments in the Women, Infants

Mr. Traxler.

TRANSPORTATION DEREGULATION

Mr. TRAXLER. As you know, legislation has been introduced recently in the House that would totally deregulate the transportation of food products for human consumption. This bill is premised in part on existing exemptions for the transportation of fresh produce which you supported. Have you provided any analysis of the legislation at this time or do you have any comments on the proposal?

Ms. SCHLEI. As you are probably aware, the transportation functions which were formerly in AMS are now in the Office of Transportation under Mr. Ron Schrader.

The Department supports expansion of the agricultural exemption of the Motor Carrier Act to include processed foods. Past studies conducted by the Department have clearly shown significant cost savings in the form of lower transport rates resulting from changing the status of certain agricultural products from regulated to exempt status. Given the freely competitive environment, lower rates mean lower product prices at destination and ultimately lower consumer prices for food.

WHOLESALE MARKET DEVELOPMENT ACTIVITIES

Mr. TRAXLER. I am pleased to see that you are proposing an increase in the Wholesale Market Development Program for fiscal 1981. Last year, you may recall, I was somewhat disappointed in your recommen-

dation to terminate the program. Can you tell me in greater detail what accomplishments you had under the program this past year, and what are your plans for fiscal 1981?

Ms. SCHLEI. In 1979 the Wholesale Market Development Program was involved in several projects to improve wholesale marketing. We provided followup technical assistance to New Jersey for their wholesale food center in the Jersey City-Secaucus area; we assisted farmers in Asheville, N.C. to expand their wholesale marketing; we developed plans for construction of market facilities in Pompano, Florida; we provided technical assistance to Portland, Oregon on developing new wholesale market facilities; we conducted a study of distribution facilities in the Raleigh, N.C. area; we developed plans for upgrading the Atlanta, Ga. farmers' market; we began plans for a new market in Montgomery, Alabama; and initiated a study to determine if there is a need for a wholesale market in eastern Tennessee. These are some of our more significant accomplishments this past year.

Our specific plans for FY 1981 depend to a great extent on what requests we receive for assistance. At this point we anticipate working with Detroit, Michigan to help renovate their Eastern Market, as well as lending assistance to Charlotte, N.C. and Camden, N.J. to improve their marketing facilities. We anticipate many other requests for assistance will be received during the remainder of this year. In addition, much of our activity will be directed toward continuing the many ongoing projects in which we are involved.

Mr. TRAXLER. Thank you, Mr. Chairman.

ACTIONS RESULTING FROM BEEF PRICING INVESTIGATION

Mr. ANDREWS. Could you outline for the record the actions that you are taking as a result of the investigation you made of the beef pricing system?

Ms. SCHLEI. We certainly will, Mr. Andrews.

Mr. WHITTEN. Without objection, provide it for the record.

[The information follows:]

MEAT PRICING TASK FORCE RECOMMENDATIONS

The report issued by P&S–AMS setting forth the results of their beef pricing investigation culminated in the naming of Secretary Bergland's Meat Pricing Task Force. They announced their recommendations in June of 1979, and on August 7, 1979, the Secretary published a list of actions he was taking which included improvements in both public and private meat price reporting, assessments of procurement and pricing policies for boxed and carcass beef, and continued close monitoring of live cattle futures trading.

The Secretary named a number of Departmental members to the USDA Meat Pricing Consultation and Evaluation Group. This Group has been working since last September to make contact with all segments of the industry to encourage voluntary, industry-initiated changes in some of the areas of concern to the Task Force and the Department. The Group has been in contact with the major private meat pricing reporting services, has worked with USDA Market News, and has surveyed and analyzed such areas as live cattle futures trading, industry price reporting patterns, and potential for new or revised meat price reporting systems. The Group is also looking at industry concerns about existing reporting services and future reporting needs. A final report, including Departmental recommendations, will be issued by the Group by August 1, 1980.

Mr. ANDREWS. Have you received the cooperation of the industry in your efforts to improve this?

Ms. SCHLEI. We are working diligently with the industry. I think that at this time, while the industry is working cooperatively with us, the results of that cooperation have not yet been ascertained.

EFFECT OF GRAIN EMBARGO ON WAREHOUSE EXAMINATION

Mr. ANDREWS. Under the U.S. Warehouse Act do you expect the grain that will have to be held in storage as a result of the recent embargo will increase your workload under the examination program?

Ms. SCHLEI. Our workload for examination of CCC stocks would increase. However, we do not anticipate the suspension of grain sales will cause an increase in examinations under the U.S. Warehouse Act.

Mr. ANDREWS. You increased your number of inspections since 1979 by 11 percent. Did this increase in activity result in finding more violations? In other words, did you find 11 percent more violations, 25 percent more violations, the same number, or what?

Ms. SCHLEI. Mr. Andrews, I think what we are talking about are both the examinations of the CCC stock, which would be increased by the current grain suspension activities, as opposed to the examination of Federally-licensed warehouses.

Mr. ANDREWS. But last year you increased your number of inspections by 11 percent over the year before. To get back to my question, did that increase of 11 percent in number of inspections yield more violations?

INCREASE IN FEDERALLY LICENSED WAREHOUSES

Ms. SCHLEI. Mr. Andrews, I think that what we are seeing in our Federally licensed warehouse examination program has been an enormous increase in the number of warehouses that have voluntarily entered into coverage under the U.S. Warehouse Act. In fact, the number of examinations per warehouse has decreased rather than increased. For that reason, we have not found more violations proportionately.

The fact is that we are examining more warehouses at a lesser rate than we were a year ago.

Mr. ANDREWS. The reason for the question is this. The Committee needs to know whether you are getting enough depth in your investigations to turn up violations. Could you provide for the record the number of violations you turned up in 1978, the number of violations you turned up in 1979, and the inspections you made in 1978 and 1979?

Ms. SCHLEI. Yes.

Mr. ANDREWS. Could you also give us for the record a run-down on the nature of these violations that you turned up?

Ms. SCHLEI. Certainly, we will.

[The information follows:]

VIOLATIONS IN EXAMINATION OF GRAIN WAREHOUSES

In fiscal year 1978 AMS made 2,909 examinations at 1,778 licensed grain warehouses. Examiners found reason to take exception to conditions or procedures at 1,197 of the examinations, with a total of 2,611 violations.

During fiscal year 1979 AMS made 3,292 examinations at 1,867 licensed grain warehouses. Examiners found reason to take exception to conditions or pro-

cedures at 1,416 of the examinations with a total of 3,275 violations. The following is a detailed explanation of the nature of those violations:

	Fiscal year—	
	1978	1979
Measured inventory less than book stock	845	1,030
Need to condition grain in store	192	265
Quality of stock not representative of obligation	284	307
Need to improve records	366	456
Need to improve housekeeping	104	121
Repair buildings and equipment	232	290
Grain infested with insects	130	204
Requested to weigh up stock	12	19
Miscellaneous instructions	446	583
Total	2,611	3,275

COMMERCIAL BRIBERY

Mr. ANDREWS. Last year we had a discussion on commercial bribery where firms were forced to pay millions of dollars to get their meat into the New York markets. Have you made any progress in stopping these racketeers?

Ms. SCHLEI. We believe we have made substantial progress during this past year, Mr. Andrews. We have more than doubled the number of investigations that we have undertaken in that field. Every one of those investigations has been successfully concluded to date.

BRIBERY CASES REFERRED TO JUSTICE

Mr. ANDREWS. Could you provide for the record the number of cases you transferred to the Department of Justice and the number of convictions they have gotten?

Ms. SCHLEI. We would be happy to do that.

Mr. ANDREWS. Did most of these cases involve large chain stores? Could you provide what most of these cases were so that we would have a breakdown?

Ms. SCHLEI. Yes, sir.

[The information follows:]

CASES REFERRED TO JUSTICE

We work in cooperation with the Department of Justice. What happens, Mr. Andrews, is that sometimes we uncover actions or conditions in our investigations under the Packers and Stockyards Act that we feel might constitute violations of Federal statutes by persons not subject to the Packers and Stockyards Act, such as chainstore meat buyers. We make available our investigative files in such instances to the Justice Department. Justice then decides whether or not to bring charges in the cases. In such cases we assist Justice in developing evidence where chain store meat buyers are involved.

In the past few years we have assisted Justice in developing cases against several chainstore meat buyers. One of our chainstore meat buyer bribery cases arose after the Secretary issued a cease and desist order against the National Beef Packers, Inc., in mid-1977 for bribery violations. The company appealed the order shortly thereafter. In late-1979 the U.S. Court of Appeals affirmed our cease and desist order. As a result of our investigation in this case the U.S. Attorney's office filed mail fraud charges against two buyers for the Fleming Foods Company. The pair was subsequently convicted. Their convictions were appealed but upheld by the courts.

In a related case, a cease and desist order was issued in mid-1974 against the Dold Packing Company for bribery of another meat buyer for Fleming Foods.

Again as a result of our investigations in this case, the U.S. Attorney's office in 1979 initiated mail fraud cases against this buyer and a vice president of the Dold Packing Company. These two subsequently pleaded guilty to two counts of mail fraud.

A Safeway meat buyer was convicted of mail fraud in 1979 as a result of our investigation of bribery. He subsequently appealed but in early 1980 the courts upheld his conviction.

In a 1979 subpoena action, the Jay Freeman Company challenged packers and stockyards jurisdiction over wholesalers as provided for in the 1976 amendment to the Act. In mid-1979 the court ordered the company to turn over their records to us as originally requested. This case involves bribery payments made to institutional meat buyers and is the subject of an ongoing investigation.

MEAT PRICING TASK FORCE

Mr. WHITTEN. Mr. Burlison?

Mr. BURLISON. Thank you, Mr. Chairman.

I am sorry that I came in late. This may have been covered.

Have you talked about the meat pricing task force that you established last year?

Ms. SCHLEI. Yes, we spoke about that briefly in connection with the fact that one of the primary recommendations of the meat pricing task force was to expand the reporting base for meats by increasing the number of transactions voluntarily reported by both buyers and sellers. For that reason we have asked for an increase of $505,000 in order to implement that recommendation.

COMPOSITION OF MEAT PRICING TASK FORCE

Mr. BURLISON. How did you go about balancing the makeup of this task force—balancing it as among producer interests, consumer interests, and so forth?

Ms. SCHLEI. Mr. Burlison, we tried to have all segments of the industry represented on the task force, including cattle producers, feeders, packers and distributors, retailers, and a consumer representative. I would be happy to provide for you a list of the persons who served on the task force, together with their affiliation.

Mr. BURLISON. Why don't you at this point, if you will, put this information in the record—that compilation that you are reading from—just make it a part of the record at this point.

Ms. SCHLEI. Certainly, Mr. Burlison.

Mr. WHITTEN. Without objection, the record will remain open here for the purpose of inserting the additional information.

[The information follows:]

TASK FORCE MEMBERS

The task force was chaired by P. R. "Bobby" Smith, Assistant Secretary of Agriculture for Marketing and Transportation Services. Charles B. Jennings, former Deputy Administrator of the Packers and Stockyards program within the Agricultural Marketing Service, was Vice Chairman. J. B. Penn, Deputy Administrator, Economics, Statistics, and Cooperatives Service, participated in the task force proceedings. The task force members included:

Aileen Adams, attorney specializing in consumer issues, Los Angeles, California.

John Copeland, president, fresh meat division, Swift and Company, Chicago, Illinois.

Ron Davenport, president, Friona Industries, Inc., Friona, Texas.

Billy Ray Gowdy, co-owner of Cimarron Feed Yards, Texhoma, Oklahoma, and former commissioner of agriculture for Oklahoma.

James S. Plaxico, professor and department head, Agricultural Economics Department, Oklahoma State University, Stillwater, Oklahoma.
James Rhodes, professor of agriculture economics, University of Missouri, Columbia, Missouri.
Jack Schaffner, broker, Action Brokerage Company, Chicago, Illinois.
JoAnn Smith, chairwoman, beef promotion and consumer relations, National Cattlemen's Association, Micanopy, Florida.
Frank Srubar, corporate meat operations manager, Safeway Stores, Inc., Oakland, California.
David Witts, attorney specializing in livestock laws, Dallas, Texas.

PAYMENTS TO STATES PROGRAM ELIMINATION

Mr. BURLISON. I believe as I came in you were discussing with Mr. Andrews the program of Payments to the States.

Ms. SCHLEI. Yes, sir.

Mr. BURLISON. As I understood, you have eliminated that program from the budget for 1981. Is that correct?

Ms. SCHLEI. We have recommended that to the committee, sir.

FISCAL YEAR 1979 PAYMENTS TO STATES PROJECTS

Mr. BURLISON. I am not ready to pass judgment on that. I have been somewhat critical of that program in the past in some regards, so I am not ready to pass judgment on it. Perhaps it might be a prime target when one considers a question of priorities and the difficulty you have in selecting what to fund and in what amount.

Last year when we discussed this item, you did not have the breakdown as yet on the payments to the States for 1979. Can you provide that for us now?

Ms. SCHLEI. Yes, sir.

Mr. BURLISON. Is that a fairly voluminous report?

Ms. SCHLEI. No, sir. I could give you the distribution by States.

Alabama received $20,000. Alaska received $41,500. Georgia received $60,132—would you prefer this for the record?

Mr. BURLISON. No.

Ms. SCHLEI. Hawaii received $49,000. Illinois received $10,450. Indiana received $85,319. Iowa received $20,185. Mississippi received $133,956. New Jersey received $40,140. New Hampshire received $18,139. New Mexico received $17,500. New York received $104,042. North Dakota received $31,900. Tennessee received $53,280. Texas received $890,457. Wisconsin received $24,000. This makes up a total of $1,600,000. No administrative expenses came out of this program. It is all matching funds for which the States contribute an amount at least equal to the amount of the Federal contribution.

Mr. BURLISON. It is optional with these States, at least to the extent that if they do not put up any money, they are not eligible for the program. Is that correct?

Ms. SCHLEI. All States are invited to make proposals to us. We only act on proposals made to us by State departments of agriculture.

Mr. BURLISON. Did you have any proposals that you denied?

Ms. SCHLEI. We had a large number of proposals that we were unable to fund during fiscal year 1979. Some of those proposals were carried forward to be considered in our 1980 budget allocation. So, in the early part of this year, we began to consider those proposals which were

viable and received during 1979 but which our funding did not permit us to reach.

Mr. BURLISON. You are funding this program in fiscal 1980. Is that correct?

FISCAL YEAR 1980 PAYMENTS TO STATES PROJECTS

Ms. SCHLEI. Yes, the program is funded for fiscal year 1980.

Mr. BURLISON. You have just given the information with respect to 1979. To what extent do you have information relative to this fiscal year?

Ms. SCHLEI. During this fiscal year, projects that have been approved to date but not yet funded would include Connecticut for $14,420. Another project to Connecticut for $31,329. A project in Indiana for $31,156. A project in Maine at $18,400. A project in North Carolina for $31,665. Another project in North Carolina for $7,100. A project in Pennsylvania for $5,346. South Carolina—$17,100. The State of Washington—$22,160. I might mention, by the way, that the project in Maine involves coop help with small farmers in cooperative marketing. There is a project in Virginia for $60,090. A project in Wisconsin for $60,000. And a project in Ohio for $312,496.

Those are the only ones that have been approved to date, not including others that we have under active consideration.

Mr. BURLISON. I appreciate the indulgence of the Committee to take so much time for all of this enumeration. I keep listening for Missouri.

Was there a program submitted by Missouri in 1979 or 1980?

Ms. SCHLEI. No, sir.

We have written three letters to every State, but we have not yet received a request for funding from Missouri.

Mr. BURLISON. It would sound like they don't care much for that program. Maybe that gives us an insight.

Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Hightower?

Mr. HIGHTOWER. I do not have any questions at this time.

Mr. WHITTEN. Mr. Myers?

MARKET NEWS SERVICE

Mr. MYERS. Mr. Chairman, I only have one or two little observations. First, what is the market news service?

Ms. SCHLEI. Mr. Myers, the market news service is a very broad program which involves virtually all agricultural commodities. Its purpose is to assist farmers in determining when and where and at what price to sell their products, and provide reliable commodity price information for the use of farmers and everybody else in the agricultural marketing chain.

MARKET NEWS DISSEMINATION

Mr. MYERS. Is it a paper? Is it a magazine?

Ms. SCHLEI. It is disseminated, sir, by printed reports, radio, television, and automatic telephone answering devices.

Mr. MYERS. How does a farmer learn about how he can use this service?

Ms. SCHLEI. It would depend largely on the commodity. But for

most commodity groups, there is a mailed report which is available to every farmer upon request. In addition to that, we have an automatic telephone answering system where a farmer can call in and get information which is updated two or three times during the day. Also, the information is generally available on local radio broadcasts daily. In most farm areas it will appear, and be available three or four times during the day.

Mr. MYERS. Some rural areas do disseminate this by television and radio, but that usually is done by the local elevator or some local market. I just wondered what role you played in this dissemination.

Ms. SCHLEI. All of the information that is being disseminated from the local television system is information that they are receiving from us that we are gathering both locally, Statewide, and nationally, and providing to them.

We have 25,000 miles of leased wire line on which this information for virtually every commodity is transmitted across the country providing information for the commodity group on a local, Statewide, regional, and national level.

This is hooked into virtually every news service in the country, and it is from this source that they get the data that they, in turn, put onto the radio or television.

Mr. MYERS. Over in what is called the Speaker's Lobby of the House side, we have two wire services, AP and UPI. Once in a while there will be a Dow Jones report and also a commodities market report, but not very often. Not every day. I wonder why they don't route it here in Washington? How does a farmer like Mr. Andrews find out what commodities are selling for?

Once in awhile there are a few farmers here in Washington. How do we learn about it?

Ms. SCHLEI. We would be happy to add you to our mailing list.

Mr. MYERS. I know what it did yesterday. How am I going to know today whether to sell my cattle or hogs or soybeans? How does a farmer learn this? That is what I am trying to find out.

Ms. SCHLEI. One of the ways that farmers get that hour-to-hour information is by calling one of our automatic telephone answering devices. Depending upon the number dialed, a farmer could get the latest grain, cotton, fruit and vegetable, dairy, meat, livestock, even honey or sugar market information. So you could dial in here in Washington, also——

Mr. MYERS. Give me that number, will you please?

Ms. SCHLEI. Which commodity? Might we call your office and give it to you?

Mr. MYERS. The service is available, but how is the service going to be used? How are you going to get this out to the farmer? How does he know that service is available?

Ms. SCHLEI. That would be posted, for example, in every stockyard, feedlot, and grain elevator. It is widely disseminated, Mr. Myers. If you look at the number of phone calls that we get—that line is busy and being used constantly all day long. We have checks made on the number of calls that we get in on those lines. They are in constant use with the farmers calling in.

Mr. MYERS. Again, the Farm Bureau co-ops at home have that call-in service, but I have never heard of it in the Department of Agriculture. And I have been in a lot of elevators.

AGRICULTURE YEARBOOK

Mr. WHITTEN. I do not see any reference to it in the Agriculture Yearbook. Of course, this is directed to children from nine to 12.

Mr. MYERS. We have not talked about that book for quite awhile now. I am sure glad you remembered. [Laughter.]

MARKET NEWS DISSEMINATION

How does a farmer learn about this? The service is available, I am sure. There is good intention, but I am just wondering how many potential users out there know about this service and that it is available to them. How do they ever learn about it? Here in Washington I have to call clear out to Indiana. There is no question that I am going to sell corn and soybeans in a few weeks. I still hope something will happen.

Mr. ANDREWS. While you are sending this information up, will you send me a list of the numbers, both here in Washington and, since I represent the most agricultural area in the country, let me know what number I call out in Fargo, North Dakota.

Ms. SCHLEI. I will be very happy to provide that information to you, Mr. Andrews, and Mr. Myers.

I might also say that in addition to the telephone numbers being posted in virtually every facility used by the farmers, they are also listed at the botom of our written reports.

Mr. MYERS. What happens is, by the time the mail gets to these areas, it is of little value to most farmers.

AUTOMATIC TELEPHONE ANSWERING SYSTEM

Ms. SCHLEI. That is why it is important to supplement this mailed information with our automatic telephone answering service.

Mr. HIGHTOWER. I want to tell my colleagues and Ms. Schlei that I don't think it necessary to send us the Texas numbers. We pretty well know them out there. When people are in doubt about how to call the Department of Agriculture, they call my number, so we are able to serve them.

Mr. ANDREWS. Will the gentleman from Texas let me call his number and give us an idea of what the price is going to be next week?

Mr. HIGHTOWER. We will give you our answer the same as we give our constituents.

CHANGE IN REIMBURSEMENTS FROM NON-FEDERAL FUNDS

Mr. MYERS. I have one question. In the justifications—available funds and staff years—I note that for inspection and grading of farm products for producers, dealers, shippers, processors, institutions, State, Federal and municipal agencies, that in 1979 there were actually $575,724. This past year's estimate is $177,000 and for next year it is

$178,000. What caused the dramatic change? Is it reimbursed or paid by someone else's funds?

Ms. SCHLEI. May we respond to that on the record?

Mr. MYERS. Please do.

Ms. SCHLEI. The reduction probably reflects an expected decrease in the operating level of our fee programs.

Mr. MYERS. I wonder why this is being reimbursed, then. You have some others like cotton where you pay for it. For grading cotton and tobacco you have $3 million. I wonder why some have to pay for it and others get it paid for?

Ms. SCHLEI. No, sir. That would be reimbursement from the CCC, and it would be for the amount of cotton that was classed that went under loan. That is the CCC reimbursement.

[Additional information follows:]

The programs for which we are reimbursed are determined by legislation. I don't have the number you are referring to in front of me, but it may be due to our expected decline in classing of cotton going into CCC loan.

Mr. MYERS. It did not say that. It said non-Federal funds. Are CCC Funds non-Federal funds?

Maybe you had better do it for the record.

Explain why it dropped and why some have to pay for it themselves, while others get it paid for. The Federal Government pays some grading, and in other areas evidently the States and cooperatives pay for it.

Ms. SCHLEI. We will provide that for the record.

AMS TRUST FUND PROGRAMS

The Trust Fund programs you refer to include reimbursements for our live animal grading program, for issuing seed certificates of quality to exporters, for cotton micronaire, cottonseed grading work requested by firms where the work is not a part of the cotton classing program, and for grading naval stores. The reason for the decline in the level of this work from fiscal year 1979 to fiscal year 1980 is that we expect the requests for live animal grading to decline and the cotton micronaire trust fund program was cancelled beginning fiscal year 1980.

The reason that some programs have to be paid while others are done without charge depends generally on the objective of the program. Most inspection programs benefit the public more than the producer and therefore are paid for by appropriation. These programs are usually mandatory. Grading, however, is usually voluntary. The legislation enabling these programs require that they be paid for totally by fees. Some exceptions have been made, including cotton and tobacco grading, since these commodities must be graded before the producer can put them into a CCC loan program.

Mr. MYERS. Thank you, Mr. Chairman.

WAREHOUSE EXAMINATION

Mr. WHITTEN. Do you have the head of the Inspection Service here, Ms. Schlei? Your Inspection Service, do you have the individual who is in charge of that with you today?

Ms. SCHLEI. Inspection Service, as you know, sir, is under Ms. Foreman. We do not have any responsibility——

Mr. WHITTEN. You talk about the number of warehousing inspections you made.

Ms. SCHLEI. Yes, sir. I did not realize you were referring to our warehouse examination program.

ON-FARM GRAIN STORAGE

Mr. WHITTEN. I want to know what that consists of. I have been disturbed about this on-farm storage situation. It is not that it could not work, but in times past it did not work too well, according to my recollection. In the past the inspection was kind of hit or miss and very infrequent. The employees were not especially well trained and they relied on oral statements rather than written procedures.

I would like to question whomever handles it directly rather than through you.

Ms. SCHLEI. Mr. Whitten——

Mr. WHITTEN. I would like to know who is actually in charge of the inspection.

Ms. SCHLEI. That would not be in our agency. Our examination work in warehousing involves only the examination of Federally-licensed warehouses. It would not involve on-farm grain storage.

GRAIN WAREHOUSE EXAMINATION PROCEDURES

Mr. WHITTEN. I realize that, but I wanted to know what you do so we can find out whether the groups that handle the other will give the same care and the same protection that you try to give. That is the reason I would like for you to turn to whomever is in charge of your inspection program, and let him tell me how often they inspect, and what is consists of—grading, classing, look through the door, look through the window, or what? I want to know what the inspection consists of.

Ms. SCHLEI. Mr. Whitten, we do not have the Division Director of our warehouse program with us today. I would be happy to provide a detailed statement for the record. However, I can tell you that we do examine all Federally-licensed warehouses at the rate of 1.3 exams per year.

Mr. WHITTEN. That is not what I want to know. I want to know when you do inspections exactly what you do.

Ms. SCHLEI. Yes, sir. We will provide that for the record.

Mr. WHITTEN. Does anyone here in the room know what the inspection of a warehouse consists of?

Ms. SCHLEI. The examination for grain includes an inspection of the quantity and quality of the grain in storage. It includes actually going in through the storage facility and taking a look at the conditions under which the grain is being stored——

Mr. WHITTEN. That is what you told him to do. You didn't go in there with him, so you may not know.

Ms. SCHLEI. I have gone in there with them, Mr. Whitten.

It includes taking samples of the grain and taking a look at the quality and the way in which it is being maintained. It includes examining of the grain and reviewing the books and records of the warehouse to make sure that the books and records are in conformity with our record-keeping systems.

INTERAGENCY COOPERATION

Mr. WHITTEN. Have you been called on by those who have responsibility for on-farm storage to provide them with the procedures that

you follow with government warehouses so that they might follow that in regard to on-farm storage?

Ms. SCHLEI. I am sure that we will be working with them in that program, Mr. Whitten.

Mr. WHITTEN. Which indicates that you have not yet.

Mr. SMITH. The Federal Grain Inspection Service has the responsibility, and I believe will be, in conjunction with ASCS——

Mr. WHITTEN. I believe you used the word "involved" the other day. It has such a broadened meaning that we never did agree on exactly what you meant.

Mr. SMITH. The Federal Grain Inspection Service will be working with ASCS in inspecting.

Mr. WHITTEN. Do you train these ASCS people?

Mr. SMITH. No, sir.

Mr. WHITTEN. Who will train them?

Mr. SMITH. That is a different agency. This will be a joint thing between——

Mr. WHITTEN. You are all in the same Department. If you set up a new agency would you not expect them to look to those already in the field and who already were doing the job to teach them how to do it when a new job is assigned?

Mr. SMITH. Federal Grain people will be working with ASCS people in a training program——

Mr. WHITTEN. The point I make is this. We have entered into a new program. That program lets them store grain on the farm. We are going to have to call on ASCS employees who are not in the inspection business. Who is going to train them if you don't?

Mr. SMITH. Federal Grain will be working with ASCS personnel. The ASCS personnel will be inspecting the on-farm storage.

Mr. WHITTEN. That's right. Do you know of any provision that has been made for a training period or for teaching them?

Mr. SMITH. There have been consultations between the two agencies. At what stage they are now, I do not know.

Mr. WHITTEN. I wish you would find out. Three or four years ago we found that we had a lot of charges about lower-priced grain in the Western part of the country under the disaster program. We had various claims against individuals reported to the Committee. It developed in many cases that the local people, whose job it was to supervise, had not been advised of what the rules were. So, they did not know what to do. I am trying to find out whether you folks, who are experienced in this area, have been called on to set up the requirements and the number of times per year you have to inspect the grain to see that it remains in good condition.

So far, you have been unable to give me any information here.

Mr. SMITH. Sir, with your permission, I will be coming back with the Federal Grain Inspection people. I would be happy to——

Mr. WHITTEN. I would be happy to have a report for the record so we can see how you can go about this. We would like more detail than you have given here. Also, what the relationship between you and the FGIS is, and what steps have been taken to be sure that the producer does not get in trouble, and the ASCS does not get in trouble, and the Federal Government does not lose any money.

Mr. SMITH. We will get that for you.

[The information follows:]

Two of the agencies under my area of responsibility have experience in grain inspection. The Agricultural Marketing Service has responsibility for examining warehouses that are either licensed under the U.S. Warehouse Act or under contract with the Department to store CCC commodities. The focal point of the examination for these programs is to determine the financial stability of the warehouse and to assure that commodities in storage are in the amount and condition required to meet that warehouse's obligations. For examinations under the Warehouse Act or for CCC contracted warehouses, we average about 1.5 examinations per year per warehouse. Our activity involves the examination of commodities stored in warehouses, however, on-farm storage problems can be different. To date, AMS has not been contacted about providing training or other assistance to ASCS.

The Federal Grain Inspection Service, however, has been assisting ASCS in determining the quality of farm-stored CCC loan grain. Basically, FGIS or inspectors licensed by FGIS grade samples submitted by ASCS employees from farm-stored grain. The results are used to determine both the initial grain quality and the ability of the stored commodity to maintain its quality. This information makes it possible for ASCS to make follow-up visits to farms that have problems. To date, however, FGIS has not played a role in actually training ASCS commodity inspectors.

TRANSFER OF REGIONAL INFORMATION OFFICES

Mr. WHITTEN. I understand that the editor of this book—my friend from Indiana is clearly right that it is not an Agriculture Yearbook—is looking for new fields to conquer and that you are fixing to take him on as your public relations man.

Is Mr. Webster going to take over your public relations? If so, is he going to direct his attention to children ages nine to 12 for your organization?

Ms. SCHLEI. Mr. Chairman, the Agriculture Marketing Service has an independent information office. That information office services the AMS programs, the programs of the Office of Transportation, and the programs of the Federal Grain Inspection Service.

We also have under our jurisdiction five regional information offices.

Mr. WHITTEN. Who runs that now?

Ms. SCHLEI. I do, sir.

Those are slated to be transferred to Mr. Webster.

Mr. WHITTEN. At your request or at his?

Ms. SCHLEI. At the Department's request, sir.

Mr. WHITTEN. The Department means the Secretary or the White House?

Ms. SCHLEI. Mr. Webster, sir.

[Additional information follows:]

All the field information activities of the Department and its agencies were studied in 1979 by a task force of agency information directors headed by Stan Prochaska, who at that time was AMS information director and the person directly responsible for supervising the five offices now proposed for transfer.

After developing and considering several options, that task force recommended the transfer of the five current multi-agency information offices from AMS administration to the Office of Governmental and Public Affairs.

Mr. Webster concurred in the recommendation of the task force and took it to the Secretary and the Department's Program and Budget Review Board, which is made up of the assistant secretaries, the General Counsel, and the Inspector General. They and the Secretary also concurred in the recommendation.

In anticipation of the transfer of the administration of the five field information offices from AMS to GPA and to enable these offices to slightly broaden their

current limited scope of operations of five agencies, an additional $300,000 investment by GPA was requested in the FY 1980 budget.

After House action on the Fiscal 1980 appropriations bill was completed, without the $300,000 additional for GPA-administered field information activities, Mr. Webster asked Secretary Bergland whether to appeal the cut to the Conference Committee, to go ahead with the transfer without the additional money, or to drop the idea. The Secretary decided at that time to go ahead with the proposed transfer without the additional funds.

The Secretary so advised the Congress and explained the plan of operating these five field information offices in letters to you and other officials on February 5, 1980.

Mr. WHITTEN. Mr. Webster. You said taken over by the Department. I pinned you down. You said the Department means Mr. Webster.

Ms. SCHLEI. Mr. Chairman, Mr. Webster, as the Assistant Secretary in charge of Public Information, would be in charge of all information functions that were transferred to the Department. It is presently proposed that the regional information offices that currently serve the AMS, the Office of Transportation, APHIS and the Federal Grain Inspection Service—the agencies under Secretary Smith—be transferred from Secretary Smith's group to Mr. Webster's group.

Mr. WHITTEN. When will that be? Once this Committee recommends and the Congress goes along with transferring the money? Or are you planning to do without that appropriation action by the Congress?

Ms. SCHLEI. I do not believe, sir, that the proposal involves an appropriation activity.

Mr. WHITTEN. Where is he going to get his pay?

Ms. SCHLEI. The funding of the program, sir, is by voluntary contributions from the participating agencies.

Mr. WHITTEN. If Mr. Webster, or the Department, as you call him—withholds the money, would you call that a voluntary contribution? He takes his money out first, doesn't he?

Ms. SCHLEI. The way in which the program is funded, at this time, is by reimbursements to AMS from the other agencies involved. I run the program.

Mr. WHITTEN. You are getting out of it?

Ms. SCHLEI. No, sir.

Mr. WHITTEN. You mean he is taking it away from you?

Ms. SCHLEI. No, sir. It is my duty and the duty of Mr. Webster to do whatever would be perceived to be in the best interest of the Department of Agriculture and the agricultural producers.

Mr. WHITTEN. Are you familiar with Section 628 of Title 31 of the U.S. Code which says that you can use that money only as appropriated by the Congress?

FUNDING STRUCTURE OF REGIONAL INFORMATION OFFICES

Ms. SCHLEI. Yes, sir. And that money was appropriated to use for information purposes. It is only in that way that we would use the money. The appropriation is as follows, sir. AMS currently funds eight positions in the regional offices. That is 32 percent of the funding. APHIS funds three positions which is 12 percent of the funding. FGIS funds five positions which is 20 percent of the funding, and FSQS, because they were originally part of this group and have continued in it, funds 36 percent of the total.

This provides 100 percent of the funding which is voluntarily con-

tributed by the agencies so that, together, we are able to have regional information offices. These offices are located in Atlanta, Chicago, Dallas, New York, and San Francisco.

Mr. WHITTEN. Do you have letters from these agencies which accompany this contribution which say that they hereby enclose so much money as their contribution on a volunteer basis for your operation? Or did you keep it out before you gave him any money?

Ms. SCHLEI. Yes, sir, that is right. We worked out an agreement with these agencies.

[Additional information follows:]

No sir, we do not withhold the money. Each agency voluntarily contributes funds to operate the regional offices.

Mr. WHITTEN. Which is right? Do you withhold it?

Ms. SCHLEI. No.

We have five regional information offices. Each office has five employees for a total of 25 employees in these five offices. In order to have the economies of scale necessary to have five information offices, we have all voluntarily contributed staff so that we can have outreach to our producers in the field in order to better disseminate information about programs, such as our market news information and where it can be obtained.

Mr. WHITTEN. They sent these copies out. I wondered when Mr. Myers was questioning you why they didn't give you the information.

Ms. SCHLEI. I am not sure I follow you, sir.

MARKET NEWS INFORMATION

Mr. WHITTEN. Mr. Myers was talking about the information that was being sent out to the farmers about who to call and so on. I noticed that you did not have that yourself. You said you had to get it from somebody else. I thought if they were going to be very free with that information, surely they would have made it available to the boss.

Ms. SCHLEI. I apologize to you, sir, but we do have such a large number of telephone numbers and I don't quite have them all by heart, but I certainly will get them.

Mr. WHITTEN. I wouldn't expect you to remember all that.

Ms. SCHLEI. I try to remember all the budget numbers, though.

AGRICULTURE YEARBOOK

Mr. WHITTEN. Why Mr. Webster now? Up to this point the committee has not been happy with some of the results of his efforts. In view of the law that says the Yearbook shall be for the benefit of the producers—why Mr. Webster? You have gotten along up to this point. Why are they making this change at this time?

Is it dissatisfaction with this product, or because of the great job you did for it? Why is Mr. Webster moving in and taking over this job that you have been handling?

Ms. SCHLEI. I believe that the philosophy of the Department is that, while these regional offices were set up primarily to provide local information to farmers about the operations of the programs that tra-

ditionally had been in Secretary Smith's group, that we also voluntarily provided information to farmers of general interests concerning the Department.

A portion of our time has always been used to service farmers concerning any of their information needs and how they can best get access to information available in the Department. Because the regional offices have played this broader Departmental role, it was felt that they might better play that role under the central direction of Mr. Webster.

Mr. WHITTEN. Was that a part of the proposal he has for next year where he is going to get a Yearbook published discussing the policies to be followed by the Department of Agriculture on the grounds that that would be the most helpful thing he could do for those engaged in agriculture. It was to make them aware of how the policies are set in the Department of Agriculture.

Ms. SCHLEI. I know, Mr. Chairman, that the goal of the Department in moving these offices is to better service agriculture producers and to provide the broadest information possible to service producers as a whole. I also understand, sir, that a letter has been sent from Mr. Webster to you, Mr. Chairman, asking for your views and concurrence in the transfer of these regional information offices. I know that it will be Mr. Webster's intention not to make this transfer of the regional information offices unless it meets with your concurrence and approval.

Mr. WHITTEN. The Department has done such a good job in the past, in my opinion, and now there are a whole lot of changes. But this Yearbook is so foreign to what we are accustomed to here. It is supposed to be helpful rather than entertaining.

TRANSFER OF REGIONAL INFORMATION OFFICES

Mr. MYERS. Is Mr. Webster going to be in charge of the marketing service information news?

Ms. SCHLEI. No, sir.

Mr. MYERS. We will have nursery rhymes in between the market reports, if you do that.

Ms. SCHLEI. Mr. Chairman, I believe that Secretary Bergland did write to you and to the committee generally on February 5. At that time he stated that the five field information offices which had been located in the same cities for nearly 35 years generally are perceived by the news media, producers, trade, and consumer organizations, as Department-wide information offices. Thus, they direct inquiries about most USDA programs to these offices. As a result, workloads have gradually become broader than the agencies currently represented by reimbursable agreements.

AGRICULTURE YEARBOOK

Mr. WHITTEN. That letter was received and my recommendation is that I advised Mr. Webster that that be held up until he appeared before the subcommittee. It was along that line that I am asking these questions.

I mentioned awhile ago that the 1980 Yearbook is underway under

the general direction of Mr. Hathaway and Mr. Webster. It has to do with food policy.

It is food policy and who makes it, what is it, an overview, food production programs—who needs them, and things of that sort. The real question in my mind is whether that is the best subject that might be followed for a Yearbook.

I was just trying to find out if this represented any change in the type of information that would be available if these offices were under his jurisdiction?

Let me ask you this. What do you pay those people that work there? The agency pays the salary of these people at these locations, is that right?

Ms. SCHLEI. Yes, that is correct, sir.

Mr. WHITTEN. Are there any further questions? Mr. McHugh, Mr. Jenrette, and Mr. Robinson have some questions they would like answered for the record.

[The questions and responses follow:]

MILK MARKETING ORDERS

Mr. MCHUGH. Describe for the Subcommittee the extent to which the Federal marketing orders are working nationally to insure an orderly supply of fresh, milk products. I would also like you to highlight the experience in the Northeast.

Response. Adequate supplies of fresh, high-quality milk for fluid use are being maintained throughout the areas regulated by the Federal milk order program.

These supplies are available to consumers at all times and at reasonable prices. In fact, retail milk prices, although subject to the same inflationary pressures affecting all goods, have been increasing at a slower rate than the general price level for all products. Presently, there are 47 orders covering most of the major consumption centers in the country. A major exception is the State of California, which has a State milk pricing program and adequate milk supplies. The Federal orders regulate over 80 percent of the Grade A milk produced in the United States.

The proportion of milk used for fluid purposes in Federal order markets during the low production months ranges from 40 percent in the North-Central region to 90 percent in the South-Atlantic region. In the Northeast, fluid utilization last fall was 56 percent. These figures indicate that milk supplies are adequate in the Federal order markets.

The maintenance of adequate milk supplies is assured primarily by the pricing method in use. Federal milk order prices are based on the monthly average of prices paid by unregulated processors for manufacturing grade milk in the States of Minnesota and Wisconsin, where over 50 percent of such milk is produced. The prices paid for such milk reflect supply and demand conditions for milk and dairy products throughout the country. Thus, for example, when milk supplies become short relative to demand, the average Minnesota-Wisconsin price increases. The increase is then reflected in the Federal order prices. Prices paid for manufacturing grade milk are also influenced by the dairy price support program. As the manufacturing grade milk prices rise or fall in response to changes in the support price, minimum prices in Federal order markets are similarly affected.

Minimum Federal order prices for milk in fluid uses are set at fixed differentials above the Minnesota-Wisconsin price. These differentials range from a low of 90 cents per hundredweight in northern Wisconsin to a high of $3.15 in southeastern Florida. The differentials increase in relation to distance from Wisconsin and Minnesota. In the Northeast, the differentials range from a high of $2.92 in Boston to slightly under $2.00 in western New York.

Mr. MCHUGH. Some special problems with the market order in my area, New York/New Jersey order, have been brought to my attention. In the last few years the hauling allowance has not increased to reflect any changes in energy prices for transportation. The order in my area places the transportation to the plant costs on the processor and milk is priced at the farm point. Recently

processors have been notifying the dairy farmers that they will no longer be buying their products because transportation costs have increased without a corresponding increase in the hauling allowance.

In talking with AMS staff, I was informed that USDA/AMS would be requesting comments from interested parties about proposals to increase this hauling allowance. I know that this is a national problem. Has the Department made those requests yet? What is the time frame for resolution of this problem?

Response. Recent increases in milk hauling costs have caused much industry concern about possible amendments to Federal milk orders. To facilitate the movement of milk to market, Class I and producer blend prices are reduced at plants or farms in the production area to reflect the cost of moving the milk to the principal city or cities in the market. The present location adjustments, however, are generally set at rates significantly below the present costs of hauling milk.

In many markets, cooperative associations have dealt with the higher hauling costs by charging over-order prices that reflect such increased hauling costs. In a few cases, order amendments have been made to reflect the higher costs. In November 1977, the transportation allowances were increased under the New York-New Jersey order. The New England order location adjustment rates were increased effective December 1978. However, transportation costs have increased even since those amendments were made.

A handler association in the New York-New Jersey market has petitioned for a hearing on the proposed removal of the limit on farm-to-plant hauling charges to producers in that market. Such a hauling charge limit is unique to this order, as is farm-point pricing. In response to the hearing petition, interested parties in the market were notified about the petition and invited to submit additional proposed amendments to the order by March 21. We anticipate that a hearing could be scheduled for this market soon after that date.

Cooperative associations in the New England market also have asked for a hearing on changing the location adjustment provisions for that area. The petition is now being reviewed, but there appears to be a reasonable basis for a hearing for that market as well.

Location pricing issues are difficult to deal with because of the need to maintain price alignment among markets. We have been discussing the transportation cost issue with industry representatives. However, as yet, no specific actions have been requested by industry groups outside the Northeast.

Reconstituted Milk

Mr. McHugh. A separate area of concern about the milk marketing orders relates to the Community Nutrition Institute's request for a hearing on the reclassification of reconstituted milk. I realize that the comment period on this proposal has just ended and that you may not have had sufficient time to review all of the comments. However, I would like you to describe the process and give dates for each step that the Department will now take regardless of the outcome of your decision on this. I should also mention that I am opposed to this request for a hearing because I believe that the reclassification of reconstituted milk would not benefit either the consumer or the producer. It has the potential to disrupt the supply of fresh, wholesome milk and increase, not decrease, overall costs to the consumer. It will also penalize producers.

Response. The period for filing comments about whether a hearing should be held ended February 29, 1980. A relatively large number of comments have been received, and AMS is in the process of evaluating them. The comments and other pertinent information will be considered by AMS in determining whether a hearing should be held on the CNI proposal and other proposals that have been received. In making this decision, AMS will take into account the reasons expressed in the comments and the legal, economic and social impacts of the CNI and related proposals.

We estimate that the process of evaluating the comments, making a preliminary impact analysis, and arriving at a decision on the question of a hearing will take until sometime in April. If it is decided that a hearing should be held, a notice would be prepared and probably 60 days provided until the hearing convenes.

Mr. McHugh. Now that you have described this process, would you provide for this Subcommittee your previous work on the reconstituted milk issue. This is not a new approach and the Department has not sought to reclassify the

product previously. What studies have been done internally by the Department on the acceptance of reconstituted products by the public, the potential impact on producers and their supplies and the willingness of processors to purchase then on-fat dry milk and produce either reconstituted or blended products?

Response. As you say, the impact of the CNI proposal on Federal milk orders is not a new consideration. Throughout the history of the program, the Department has had to establish policy and rules for insuring that classified pricing, as authorized by the Congress, was not undermined. Over the years, this has involved the regulatory treatment of milk coming into a regulated market from other sources, whether regulated or unregulated. Various methods were developed in individual orders until the early 1960's when the present provisions were established and uniformly provided for in all milk orders. The provisions have been widely accepted by the dairy industry without serious challenge until the submission of the CNI proposal to the Department.

There has been no occasion for the Department to conduct studies on the acceptance of reconstituted milk products by the public. Packaged nonfat dry milk has been available in grocery stores for some time as a low-cost alternative to fresh milk. The skim equivalent of such sales represents about 4 percent of total fluid milk product sales. Also, for many years, Department programs aimed at helping welfare recipients and other low-income people have emphasized the use of nonfat dry milk in the diet.

The dairy industry and other industries normally have developed new products and merchandising techniques on the basis of private feasibility and marketing studies. The distribution of reconstituted products by dairy firms has depended to a large extent on the applicability of state laws, and on the relative costs of fresh milk ingredients and the ingredients of reconstituted products. The Department is aware, however, that reconstituted milk has not gained consumer acceptance, presumably because of its cooked flavor and/or because it has not been offered for sale at a sufficient discount from fresh milk to be attractive to consumers. The market that the CNI proposal is aimed at is practically unknown.

The potential impact of reconstituted milk on producers and their supplies is being evaluated by the Department in a pre-hearing impact analysis of the CNI proposal. If a hearing is called, the issues covered by the analysis presumably would be considered at the hearing to provide the evidence required by law for making a decision on the proposal.

Mr. McHugh. What are the energy requirements of producing reconstituted milk? How much energy is used in the drying process versus the transportation costs for fresh, fluid milk?

Response. I am not aware of any specific studies on the energy requirements of producing reconstituted milk versus the transportation costs for fresh fluid milk. However, this would be a pertinent issue in any analysis of the CNI proposal.

AMENDING MILK ORDERS

Mr. McHugh. If a marketing order is to be amended, what is the procedure for doing so? Can the producers in a particular market order area accept or reject the proposed amendment? Are they permitted to vote for the separate item or must they reject the entire order if they object to the amendment?

Response. If it is concluded that there should be a hearing, the Department would then issue a hearing notice setting forth the proposals to be considered as well as the time and place of the hearing. At the hearing, the public would have the opportunity to present testimony in favor of, or in opposition to, the proposals published in the hearing notice. This aspect is especially important since only the evidence presented at the hearing could be used by the Department in reaching a decision on any proposal.

After the hearing, the Department would analyze the evidence in the hearing record and develop its recommendations. The public would then be given a period of time in which to file comments on the Department's tentative findings and conclusions. After reviewing the comments, the Department would issue a final decision on the issues considered.

If order changes were adopted, each proposed amended order would have to be approved by the required number of producers in the individual market before the amended order could be made effective. Producers would be asked to approve or disapprove the complete order, as amended, and not separate

items. The voting outcome in one market would not affect what is done in another market.

Mr. McHUGH. What legal authority is AMS using as the basis for the request for comment on the proposed hearing? The Agricultural Marketing Agreement Act requires that the Federal milk market orders classify milk ". . . in accordance with the form in which, or the purpose for which, it is used . . .". According to this legislation reconstituted milk must remain within the Class I price since the end use of the product is fluid. How do you explain your actions in light of this legal requirement?

Response. The Agricultural Marketing Agreement Act of 1937 provides that whenever the Secretary of Agriculture has reason to believe that a proposal to amend an order will tend to effectuate the declared policy of the Act, he may call a hearing to receive evidence concerning the proposal. At this point, no hearing notice has been issued, nor has any decision been reached that the proposal would be appropriate for a hearing. Because the proposal raises a number of substantive questions concerning its potential impact, the Department asked for comments on whether a hearing should be held on this issue. The comments should assist us in making the best possible judgment on whether the proposal would tend to carry out the purpose of the Act.

In posing your question, you indicated that reconstituted milk should remain within the Class I price category since the end use of the product is fluid. I might note that in the past the Department has excluded a limited number of fluid products from Class I on the basis of marketing information developed at public hearings. Such products have included eggnog, cream, infant and dietary formulas, and evaporated milk. For the most part, this action was taken to permit competition with similar products made by unregulated processors from unpriced, lower-cost dairy and nondairy ingredients. There was no demonstration in the applicable hearing records that the exclusion of these products from Class I would undermine the classified pricing plan of the orders. Otherwise, the amended orders would not have been recommended by the Department. Presumably, reconstituted milk also could be excluded from Class I should hearing evidence establish a valid basis for doing so.

International Agricultural Trade Center

Mr. JENRETTE. I introduced a bill in the 95th Congress to authorize the Secretary of Agriculture to establish a grant program for the purpose of establishing and operating an international agricultural trade center near the District of Columbia. A member of my staff has contacted your office regarding this matter so perhaps you're familiar with the actual marketing concept involved.

Aside from the question of the appropriateness of a grant procedure to promote such a program, would this subject be within the program functions of your agency if this Committee requested that you conduct studies to evaluate the feasibility of this new marketing concept?

If so, you can supply for the record an estimate as to the cost of such studies?

Response. These studies would be within the program functions of this agency. The cost of the necessary studies would be approximately $75,000. Some contract work would be necessary.

Market Supervision

Mr. ROBINSON. I understand that the Agricultural Fair Practices Act and the Capper-Volstead Act protect producers against discriminatory practices by handlers. These Acts also permit producers to engage in cooperative efforts so long as such cooperatives do not engage in practices that monopolize or restrain trade.

In what manner does the AMS carry out market supervision? Has there been any evidence in the past few years of cooperatives engaging in monopolistic practices amounting to restraint of trade?

If the AMS finds such activity, how do you proceed?

Response. The Agricultural Marketing Service investigates thoroughly any complaints filed under the Agricultural Fair Practices Act. If evidence of a possible violation is obtained, the matter is turned over to the Office of Inspector General for further investigation. If this investigation uncovers evidence of violation of the Agricultural Fair Practices Act, the Department requests the Attorney General to bring civil action in an appropriate District Court of the United States. Twenty-seven formal complaints have been filed since the law was passed in 1968.

The Agricultural Marketing Service attempts to advise cooperatives and handlers of their rights under the Fair Practices Act, and consults with them on a case-by-case basis on possible violations. Interest exists in strengthening the Fair Practices Act, and AMS has participated in discussions with cooperatives and others on changes which might strengthen the law.

The Capper-Volstead Act of 1922 permits farmers to join together to process, prepare for market, handle, and market the farm products of the members and patrons. The use of marketing agencies in common is also permitted as a means to carry out these legitimate functions. Once a cooperative is formed, it is limited in its business activities in much the same way as non-cooperative businesses. Where cooperatives combine or conspire with non-cooperatives or persons other than producers to monopolize or restrain trade, or when they engage in predatory practices, they are subject to the antitrust laws.

The Department of Justice and the Federal Trade Commission, on several occasions, have brought action against agricultural cooperatives for alleged predatory or coercive conduct, unfair competition, or actions in restraint of trade. Some actions are currently pending.

Section 2 of the Capper-Volstead Act provides that if a cooperative monopolizes or restrains trade to such an extent that the price of an agricultural product is unduly enhanced, the Secretary of Agriculture may proceed against that cooperative.

If the Secretary has reason to believe that a cooperative has unduly enhanced prices, the Department then issues a complaint requiring the association to show cause why an order should not be made directing it to cease and desist from monopolization or restraint of trade. The Department in carrying out Section 2 of Capper-Volstead looks primarily for evidence of undue price enhancement. Although several complaints of violations of Section 2 have been filed in the past 10 years, investigation has found no evidence of undue price enhancement.

In 1978, the Secretary announced plans to set up a new unit in USDA to monitor the activities of cooperatives in order to be alert to any possible undue price enhancement that might result from cooperative activities. This unit is under the direction of the Director of Economics, Policy Analysis and Budget within USDA.

Procedures for enforcement of Section 2 were recently published in the Federal Register. The Agricultural Marketing Service provides input as requested in the carrying out of Section 2. In this connection, the various Commodity Divisions of AMS constantly follow commodity prices in markets where cooperatives are important.

Mr. WHITTEN. Again, we appreciate your appearance here today.

We are faced now with the possibility of a scaleback in the budget request. I do not know whether we are going to get a request from the President or OMB for rescissions or whether there will be an amended budget submitted to Congress. But there is a series of meetings going on now, and we are trying to scale back expenditures.

I think we need to hold things as tight as possible.

Personally, I feel one of the things we need to do is give attention to keeping up production. I think the restrictive regulations we have on the interest rates that are now being charged probably are doing more damage to production than they are helping with our financial system.

At any rate, we are glad to have you before us, and we appreciate your presence here.

Ms. SCHLEI. Thank you, sir.

STATEMENT OF BARBARA LINDEMANN SCHLEI, ADMINISTRATOR, AGRICULTURAL MARKETING SERVICE

Mr. Chairman. members of the Committee, I appreciate the opportunity to appear before this Committee to discuss the programs of the Agricultural Marketing Service (AMS) and our funding needs for Fiscal Year 1981. First may I introduce my associate John T. Reeves, Director of our Financial Management Division.

The primary mission of AMS is to assist in the orderly and efficient marketing of agricultural commodities. The agricultural marketing system in the United States is the finest in the world. Despite recent increases in food prices, American consumers still use a smaller proportion of their disposable income on food than consumers in any other country. While many factors contribute to keeping our food prices low, maintaining an efficient marketing structure is one of the most important. We strive to administer our programs in a manner responsive to the constant changes in this marketing structure and to meet the continuing needs of the agricultural industry and consuming public. We are proud of our accomplishments in meeting these needs through the operation of the many and varied programs of the Agricultural Marketing Service.

Our Federal-State market news program assists farmers in determining when, where, and at what price to sell their products, and provides reliable commodity price information for use by everyone in the agricultural marketing chain. This is accomplished by collecting, analyzing, and disseminating timely and accurate information on price, demand, movement, volume, and quality of most agricultural commodities produced and marketed domestically and internationally.

Our Packers and Stockyards Program assures fair and open competition in the livestock, meat and poultry industries.

We will continue to emphasize the investigation and prosecution of commercial bribery practices. Commercial bribery reduces the returns to producers while increasing the retail costs at the consumer level. Where the practice of commercial bribery exists, dealers offering bribes have an unfair competitive advantage and "free market" incentives such as lower prices, product quality, or better service do not operate.

We will also give continued emphasis to enforcing the 1976 amendments to the Packers and Stockyards Act. These amendments include packer bonding, packer trust provisions, requirements for prompt payment for livestock, temporary injunctions, civil penalties, and jurisdiction over wholesale meat brokers, dealers, and distributors.

Following our investigation of the beef pricing system, we established a Meat Pricing Task Force to review the meat pricing system and the meat price reporting services. A primary Task Force recommendation was to improve meat pricing and meat price reporting by voluntary industry efforts to broaden the reported pricing base.

The Standardization and Grading program, through the use of commonly accepted standards of quality, permits buyers and sellers to negotiate transactions with assurance that the product's quality is understood by all parties concerned.

Our warehouse examination program enables us to protect producer interest in products stored in Federally licensed warehouses by providing periodic unannounced examinations to assure that each warehouse meets its obligations in terms of the financial condition of the licensee, the adequacy of warehouse records, and the condition and contents of the warehouse. Warehouse receipts enable growers to make a choice of marketing their product or holding it for sale at a later date while still enabling them to finance future needs by using the receipt as collateral. The continued high acceptability of the Federal warehouse receipt for loan and other financial and marketing decision purposes is evidence of the integrity with which these receipts are recognized.

Our research and promotion program supervises national programs of advertising, promotion, research, and development to strengthen the demand for agricultural commodities.

Our Federal seed program prevents mislabeled seed from moving in interstate commerce by testing submitted samples of seed to insure accurate labeling of seed characteristics and assures that imported seed is comparable to domestic seed in terms of quality.

Our plant variety protection program encourages the development of novel varieties of plants. To help insure an adequate supply of fiber, food, and feed, protection, equivalent to a patent, is granted to those who breed, develop, or discover distinct new varieties of plants.

The wholesale market development program conducts research to determine more efficient and less costly marketing methods. We provide technical assistance to urban areas interested in upgrading or creating wholesale market facilities and improving the distribution of food products from the farm to urban areas and from wholesale to retail facilities.

Finally, our work in the market supervision and assistance program is designed to monitor and enhance the agricultural marketing process. This is accomplished through the development of research and promotion programs, and by the protection of producers against the discriminatory practices of some handlers.

In order to continue responding to the ever changing market structure and to meet the continuing needs of the agricultural industry and the consuming public, we are requesting several changes in our Fiscal Year 1981 budget.

FISCAL YEAR 1981 BUDGET

The total budget request of the Agricultural Market Service for Fiscal Year 1981 is $70.7 million, with $50.7 million in appropriated funds. This request includes a net increase in appropriated funds of $336,000. The increase includes the following changes:

I. An increase of $1,936,000 in the Marketing Services Fund, which is comprised of:

1. $505,000 for meat price reporting.
2. $304,000 to restore funds used to keep market news offices open in accordance with the conference report on the FY 1980 Appropriation Act.
3. $330,000 for increased tobacco grader rotation.
4. $797,000 to offset the increased cost of maintaining our programs at the current operating level.

II. A decrease of $1,600,000 in the Payments to States program fund to eliminate this activity.

I will now discuss these changes individually, and the resources needed to carry them out.

I. MARKETING SERVICES

Market news

We are requesting an increase of $505,000 to broaden the base of our meat price reporting. Currently meat price reports are based on a small number of open market negotiated sales, provided by a small number of traders in the meat industry. Because of market thinness, meat prices can be artificially inflated or depressed. This was one of the major problems studied by the Secretary's Task Force on meat price reporting.

A primary recommendation of the Task Force was to expand the reporting base for meats by increasing the number of transactions voluntarily reported by both buyers and sellers. This increase will allow the Department to issue a daily national mailed meat report that will make available to all interested parties unbiased market information.

Inspection, grading, and classing

An increase of $330,000 is requested to permit more extensive tobacco grader rotation. Currently, graders are rotated to the extent that our funds will allow. However tobacco graders, who are often tobacco producers, sometimes must be stationed in the same geographical area where they live. We believe that in the best interest of those served by the program, we need to increase our capability to move graders from their home markets to eliminate even the appearance of a conflict of interest. The additional funding will provide travel funds to enable us to rotate these graders.

Restoration of funds used for market news

We are requesting $304,000 to restore funds to activities in the Marketing Services fund. In FY 1980 the Congress requested that we keep open several market news offices that were scheduled for closing; however, they did not appropriate funds to do so. To provide for the continued operation of these offices in FY 1980 AMS temporarily reprogrammed $304,000 to the Market News activity from our other Marketing Service Fund activities. The impact of taking the $304,000 from these activities has been to decrease our agency's ability to carry out its objectives. In FY 1981 we need to restore the reprogrammed funds to the activities from which they were taken in FY 1980. As a result, we need to request an increase of $304,000 in order to continue operations of these offices in FY 1981.

Program cost increase

An increase of $797,000 is requested to offset the increased costs of operating our programs, and to support the Fiscal Year 1980 pay cost increase. This will permit AMS to maintain current program performance levels.

II. PAYMENTS TO STATES

The Department recommends the elimination of the Payments to States Program in the FY 1981 budget request. This will result in a decrease of $1,600,000. The purpose of this program has been to work with State Departments of Agriculture on research designed to improve the marketing system for agricultural products. Many state agriculture departments have developed the capability to respond to their own marketing needs.

Mr. Chairman, this concludes my overview of our programs and the Fiscal Year 1981 budgetary changes for AMS. I will be happy to respond to any questions that you may have.

AGRICULTURAL MARKETING SERVICE

Purpose Statement

The Agricultural Marketing Service (AMS) was established by the Secretary of Agriculture on April 2, 1972, under the authority of the Reorganization Plan No. 2 of 1953, and other authorities. AMS carries out programs authorized by the following principal legislation:

Agricultural Marketing Act of 1946
Agricultural Marketing Agreement Act of 1937
Agricultural Fair Practices Act
Beef Research and Information Act
Cotton Futures Act
Cotton Research and Promotion Act
Cotton Statistics and Estimates Act of 1927
Egg Research and Consumer Information Act
Export Apple and Pear Act
Export Grape and Plum Act
Federal Seed Act
National Wool Act of 1954
Naval Stores Act
Packers and Stockyards Act
Peanut Statistics Act
Perishable Agricultural Commodities Act
Plant Variety Protection Act
Potato Research and Promotion Act
Produce Agency Act
Tobacco Inspection Act
Tobacco Seed and Plant Exportation Act
Tobacco Statistics Act
Turpentine and Rosin Statistics Act
U.S. Cotton Standards Act
U.S. Warehouse Act
Wheat and Wheat Foods Research and Nutrition Education Act
Wheat Research and Promotion Act
Wool Standards Act

Through its marketing and regulatory programs, AMS promotes the orderly and efficient marketing and effective distribution of products from the Nation's farms.

The Agricultural Marketing Service is responsible for implementing the following principal programs:

1. Marketing Services. Program activities within this appropriation promote the maintenance and development of an orderly and efficient marketing system for agricultural commodities and include:

   a. Market news service to provide timely, accurate, and unbiased market reports for all major agricultural commodities to assist farmers in determining when, where, and at what price to sell their products; and to provide reliable commodity price information for use by other interested parties in the agricultural marketing chain.

Purpose Statement (Cont'd)

b. Administration of the Packers and Stockyards Act in order to maintain effective competition and fair practices in the marketing of livestock, meat and poultry. This program assists farmers in obtaining fair market value for their livestock and poultry, and protects farmers, ranchers, consumers and members of the livestock, meat and poultry industries against unfair business practices.

c. Inspection, grading, classing and standardization services to:

(1) develop and apply standards of quality and condition for non-food agricultural commodities and to use them in providing the language of commerce for those commodities through the inspection, grading, and standardization programs--language which permits trade and commerce among buyers and sellers who need never see each other, but who, because they have been provided a common language which accurately describes the commodities of their transactions, are able to buy or sell with complete understanding and assurance of what is being traded; and (2) participate and assist in the development of international non-food agricultural standards.

d. Regulatory activities covering the administration of laws intended to prevent financial loss resulting from deceptive, careless, and fraudulent marketing practices and to provide assistance in the promotion and research of agricultural commodities in foreign and domestic markets.

e. Wholesale market development to enhance the marketing system of agricultural products in the United States by conducting research into more efficient and less costly marketing methods and by providing technical assistance to urban areas interested in upgrading or creating wholesale market facilities that would improve the distribution of food products from the farm to the urban areas and within the urban area from wholesale to retail facilities.

f. Market supervision and assistance to:

(1) protect producers against discriminatory practices by handlers and permit producers to engage in cooperative efforts; and (2) promote an orderly flow of food from producers to retailers and consumers by informing these groups of the foods that are in short or abundant supply.

2. Work Performed for Others. The Agricultural Marketing Service also performs other services for Federal, State, and private agencies, on a reimbursable basis.

Headquarters of the Service is in Washington, D.C. There are approximately 267 year-round and seasonal field offices located in 44 States and Puerto Rico. On September 30, 1979, there were 2,229 full-time employees and 691 part-time and intermittent employees. Of the total employment of 2,920 (including the Milk Market Administrators and their staff), 1,592 full-time and 636 other than full-time employees were assigned to one or more of the field office locations.

Available Funds and Staff-Years
1979 and Estimated, 1980 and 1981

Item	Actual 1979		Estimated Available, 1980		Budget Estimate 1981	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Agricultural Marketing Service:						
Marketing Services	$46,513,070	1,581	$48,774,000	1,571	$50,710,000	1,563
Payments to States and Possessions	1,600,000	--	1,600,000	--	--	--
Total	48,113,070	1,581	50,374,000	1,571	50,710,000	1,563
Obligations under other USDA appropriations:						
Agri.Stabilization and Conservation Service for operation of commodity teletype, data on wheat exports by classes, and miscellaneous svcs.	33,000	2	31,000	2	31,000	2
APHIS for administrative support	158,972	5	204,000	7	204,000	7
Commodity Credit Corporation:						
For classing cotton & tobacco grading	400,000	17	2,971,000	130	2,971,000	130
For classing CCC-owned cotton	3,375	--	4,000	--	4,000	--
For warehouse examination functions	2,825,823	83	3,447,000	94	3,539,000	94
Federal Grain Inspection Service for administrative support	3,205,033	118	3,578,000	124	3,578,000	124
Food Nutrition Service for administrative support	107,961	5	160,000	7	160,000	7
Food Safety & Quality Service for administrative support	590,836	16	656,000	18	656,000	18
Food Safety & Quality Service for marketing agreements & orders	4,317,690	137	5,117,000	147	5,210,000	147
Foreign Agri.Service for general telegraphic services	35,587	2	37,000	2	37,000	2
Forest Service for resident work group functions	8,632	--	9,000	--	9,000	--
Office of Transportation for administrative support	--	--	115,000	4	115,000	4
Science & Education Administration:						
For cotton & cordage fiber & spinning tests	7,021	--	27,000	1	27,000	1
For general telegraphic services	6,226	--	9,000	--	9,000	--

(Continued on next page)

Available Funds and Staff-Years
1979 and Estimated, 1980 and 1981

Item	Actual 1979		Estimated Available, 1980		Budget Estimate 1981	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Miscellaneous Reimbursements	17,194	--	18,000	--	18,000	--
Total, Other USDA Approp	11,717,350	385	16,383,000	536	16,568,000	536
Total, Agriculture Appropriations	59,830,420	1,966	66,757,000	2,107	67,278,000	2,099
Perishable Agricultural Commodities Act Fund	2,017,153	81	2,392,000	84	2,439,000	84
Other Federal Funds:						
Department of Justice for cotton classing for federal penitentiaries	--	--	5,000	--	5,000	--
Non-Federal Funds:						
American Egg Board for research work	69,992	2	68,000	2	68,000	2
Cotton Board for research work	60,848	2	129,000	4	129,000	4
Inspection & Grading of farm products for producers, dealers, shippers, processors, cooperatives, institutions, and State municipal & Federal agencies	575,724	10	177,000	6	178,000	6
Milk Market Administrators for Federal telecommunication system	5,349	--	50,000	--	50,000	--
Tobacco growers & States for permissive inspection of tobacco under loan	511,403	20	371,000	16	371,000	16
States for collection & dissemination of market news information	154,688	6	170,000	6	170,000	6
States for supervision of imported seed	2,249	--	2,000	--	2,000	--
Total, Non-Federal Funds	1,380,253	40	967,000	34	968,000	34
Milk Market Orders Assessment Fund	23,796,885	697	25,462,000	705	25,462,000	688
Total, Agricultural Marketing Service	87,024,711	2,784	95,583,000	2,930	96,152,000	2,905

End of Year Employment:	1979 Actual	1980 Estimated	1981 Estimated
Permanent full-time	2,229	2,262	2,224
Other	691	950	950
Total	2,920	3,212	3,174

AGRICULTURAL MARKETING SERVICE

Permanent Positions by Grade and Staff-Year Summary

1979 and Estimated 1980 and 1981

Grade	FY 1979			FY 1980			FY 1981		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
Executive Level V	1	--	1	1	--	1	1	--	1
ES-5	2	--	2	2	--	2	2	--	2
ES-4	4	--	4	4	--	4	4	--	4
ES-3	2	--	2	2	--	2	2	--	2
ES-1	1	--	1	1	--	1	1	--	1
GS-15	28	--	28	32	--	32	32	--	32
GS-14	67	11	78	71	11	82	71	11	82
GS-13	104	82	186	99	82	181	99	82	181
GS-12	94	173	267	93	170	263	93	171	264
GS-11	57	233	290	59	238	297	59	239	298
GS-10	--	--	--	1	--	1	1	--	1
GS-9	67	229	296	66	226	292	66	226	292
GS-8	6	--	6	9	--	9	9	--	9
GS-7	87	67	154	64	49	113	64	49	113
GS-6	71	47	118	64	43	107	64	43	107
GS-5	83	201	284	73	178	251	73	178	251
GS-4	52	193	245	46	172	218	46	172	218
GS-3	36	39	75	26	29	55	26	29	55
GS-2	16	15	31	6	5	11	6	5	11
GS-1	1	--	1	--	--	--	--	--	--
Milk Market Orders Administrators and Staffs	--	710	710	--	710	710	--	693	693
Ungraded Positions	2	43	45	2	39	41	2	39	41
Total Permanent Positions	781	2,043	2,824	721	1,952	2,673	721	1,937	2,658
Staff-Years:									
Permanent	634	1,584	2,218	652	1,633	2,285	650	1,610	2,260
Other	31	535	566	42	603	645	42	603	645
TOTAL	665	2,119	2,784	694	2,236	2,930	692	2,213	2,905

AGRICULTURAL MARKETING SERVICE

CLASSIFICATION BY OBJECTS

1979 and Estimated 1980 and 1981

	1979	1980	1981
Personnel Compensation:			
Headquarters	$11,322,165	$13,452,000	$13,408,000
Field	22,987,425	27,311,000	27,221,000
11 Total personnel compensation	34,309,590	40,763,000	40,629,000
Other Objects:			
12 Personnel Benefits	3,366,296	4,231,000	4,216,000
13 Benefits for former personnel	5,628	5,000	5,000
21 Travel	3,359,594	3,849,000	4,852,000
22 Transportation of things	158,363	242,000	281,000
23 Rent and utility services	3,708,874	2,498,000	2,714,000
Communication services	2,404,168	3,278,000	3,799,000
24 Printing and reproduction	479,610	745,000	801,000
25 Other services	3,197,519	2,564,000	2,744,000
26 Supplies and materials	1,039,309	779,000	853,000
31 Equipment	1,942,834	953,000	997,000
41 Grants, subsidies, and contributions	1,600,000	1,600,000	--
42 Insurance claims and indemnities	268	--	--
Total other objects	21,262,463	20,744,000	21,262,000
Total obligations	55,572,053	61,507,000	61,891,000
Position Data:			
Average Salary, GS positions	$18,956	$20,992	$20,994
Awerage Grade, GS positions	8.50	8.82	8.82

AGRICULTURAL MARKETING SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Marketing Services:

For necessary expenses to carry on services related to agricultural marketing and distribution and regulatory programs as authorized by
1 law [, and for administration and coordination of payments to States]; including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $75,000 for employment under 5 U.S.C. 3109, [$47,643,000] $50,710,000; of which not less than [$2,057,000] $1,365,000 shall be available for the Wholesale Market Development Program: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but, unless otherwise provided, the cost of altering any one building during the fiscal year shall not
2 exceed [$7,500 or 7.5] 10 per centum of the [cost] current replacement value of the building [, whichever is greater].

The first change proposes deletion of the language included in the Agricultural, Rural Development, and Related Agencies Appropriation Act, 1980, providing for the administration and coordination of the separate appropriation account, "Payments to States and Possessions." It is proposed that the Federal portion of this program be abolished.

The second change proposes a limitation on alterations of buildings which will remain applicable to current building values and alteration costs.

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(a) MARKETING SERVICES

Appropriation Act, 1980		$47,643,000
Budget Estimate, 1981		50,710,000
Increase in Appropriation		+3,067,000
Adjustments in 1980		
Appropriation Act, 1980	$47,643,000	
Activities transferred to Office of Transportation a/	-1,413,000	
1980 Supplemental Appropriation for pay costs	+2,544,000	
Adjusted base for 1981		48,774,000
Budget Estimate, 1981		50,710,000
Increase over adjusted 1980		+1,936,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	1980 Estimated	Increase or Decrease	1981 Estimated
Market News	$13,638,000	+$782,000	$14,420,000
Administration of Packers and Stockyards Act	8,717,000	+175,000	8,892,000
Inspection, Grading, Classing and Standardization	19,015,000	+824,000	19,839,000
Regulatory Activities	5,239,000	+97,000	5,336,000
Wholesale Market Development	1,302,000	+49,000	1,351,000
Market Supervision and Assistance	863,000	+9,000	872,000
TOTAL AVAILABLE	48,774,000	+1,936,000 b/	50,710,000

a/ Pursuant to Secretary's Memorandum No. 1966, dated December 12, 1978, the functions relating to transportation were transferred from Agricultural Marketing Service to the Office of Transportation. Actual transfer of funds of $1,413,000 are anticipated in 1980. On a comparable basis the full annual cost of the activity including pay cost is $1,413,000 for 1980 and $1,919,000 for 1981.

b/ Includes a total increase of $781,000 toward increased operating costs in order to sustain performance levels for ongoing programs.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1979 Actual	1980 (estimated)	Increase or Decrease	1981 (estimated)
1. Market News Service:				
(a) Cotton and cottonseed	$1,240,265	$1,246,000	+$22,000	$1,268,000
(b) Dairy products	345,103	334,000	+7,000	341,000
(c) Fruits and vegetables	4,053,888	4,105,000	+79,000	4,184,000
(d) Grain, hay, feed, etc.	1,091,748	1,035,000	+32,000	1,067,000
(e) Leased wire service	1,486,493	792,000	+41,000	833,000
(f) Livestock, meats and wool	3,610,609	3,650,000	+560,000	4,210,000
(g) Naval stores	49,355	51,000	+2,000	53,000
(h) Poultry products	1,826,136	1,883,000	+32,000	1,915,000
(i) Tobacco	536,195	542,000	+7,000	549,000
Total, Market News Service	14,239,792	13,638,000	+782,000 (1)	14,420,000

(Continued on next page)

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1979 Actual	1980 (estimated)	Increase or Decrease	1981 (estimated)
2. Administration of Packers and Stockyards Act	7,429,661	8,717,000	+175,000(2)	8,892,000
3. Inspection, Grading, Classing and Standardization:				
(a) Cotton and cottonseed	11,406,498	11,813,000	+276,000	12,089,000
(b) Tobacco	6,122,812	6,862,000	+544,000	7,406,000
(c) Livestock and wool	237,784	270,000	+4,000	274,000
(d) Naval stores	53,172	70,000	--	70,000
Total, Inspection, Grading, Classing, and Standardization	17,820,266	19,015,000	+824,000(3)	19,839,000
4. Regulatory Activities:				
(a) U.S. Warehouse Act	2,956,727	3,164,000	+71,000	3,235,000
(b) Federal Seed Act	1,325,329	1,495,000	+21,000	1,516,000
(c) Plant Variety Protection Act	378,871	437,000	+2,000	439,000
(d) Research & promotion	137,757	97,000	+3,000	100,000
(e) Export Fruits Acts	23,276	26,000	--	26,000
(f) Naval stores & tobacco export permits	13,506	20,000	--	20,000
Total, Regulatory Activities	4,835,466	5,239,000	+97,000(4)	5,336,000
5. Wholesale Market Development	1,002,770	1,302,000	+49,000(5)	1,351,000
6. Market Supervision and Assistance	678,204	863,000	+9,000(6)	872,000
Unobligated balance	506,911	--	--	--
Total available or estimate	46,513,070	48,774,000	+1,936,000	50,710,000
Proposed Supplemental for pay increase costs	--	-2,544,000		
Transfer to Office of Transportation	+1,340,930	+1,413,000		
Total, appropriation	47,854,000	47,643,000		

EXPLANATION OF PROGRAM

1. Market News Service:

The market news program is carried out under the authority of the (1) Agricultural Marketing Act of 1946, (2) Cotton Statistics and Estimates Act of 1927, (3) Tobacco Statistics Act, (4) Tobacco Inspection Act of 1946, (5) Naval Stores Act, (6) Turpentine and Rosin Statistics Act, (7) Cotton Futures Act, and (8) the Peanut Statistics Act.

The market news service provides local, regional, national, and international marketing information. The information is current and covers supply, movement, contractual agreements, inventories, and prices at specific markets for practically all agricultural commodities. The marketing of agricultural products is characterized by a series of decision points through which product flow concentrates and transactions take place. Market news provides those engaged in the production and marketing of farm products, as well as those supplying the farm market, with timely, accurate, and unbiased market information. Thus, on a day to day basis, those interested in market conditions are in a position to make the critical decisions of where and when to sell, and at what price.

Market information is obtained through joint Federal/State efforts by both Federal and State reporters, who visit trading points at the time of transaction or gather data by telephone. Information collected by these reporters is analyzed and immediately disseminated to the agricultural community through mailed reports, telephone, newspaper columns, television, telegraph, and automatic telephone answering devices. National information is integrated with local information and released in a form easily understood by the industry and locality served. During FY 1979 market information was collected by 227 Federal market news reporters located at 1,543 markets throughout the United States. To obtain the data used in market news reports, 23,149 buyers and sellers were interviewed.

2. Packers and Stockyards Act:

Activities in this program are administered under the authorities of the Packers and Stockyards Act (7 U.S.C. 181-229); the Truth-in Lending Act (15 U.S.C. 1601 et seq.) with respect to livestock, meat and poultry dealers; and the Fair Credit Reporting Act (15 U.S.C. 1681 et seq.). The program is designed to maintain effective competition, fair trade practices and financial protection in livestock, meat and poultry marketing to assure producers of receiving fair market value for their products.

There are 1,970 stockyards posted under the Act. There are 12,509 persons and firms registered as market agencies and dealers. There are approximately 6,300 packers subject to the Act. Livestock and poultry transactions subject to the Act total approximately $20 billion and $5 billion respectively, each year. Over $30 billion in meat and dressed poultry transactions annually are also subject to regulation.

The principal activities carried out in administering the Act are: (1) investigation of complaints and violations of the provisions of the Act; (2) registration of dealers and market agencies; (3) requiring adequate bond coverage for auction operators, commission firms, dealers and packers; (4) determining adequacy of services and facilities at public markets; (5) supervision of livestock, poultry and monorail scale testing; (6) surveillance of marketing methods at public markets with emphasis on detecting instances of commercial bribery; (7) investigation and providing for hearings and settlement of reparation complaints; and (8) audits of books and records.

3. Inspection, Grading, Classing and Standardization

This program is carried out under the following authorities

Agricultural Marketing Act of 1946
Cotton Statistics and Estimates Act
Cotton Futures Act
Cotton Standards Act
Naval Stores Act
Tobacco Inspection Act
Wool Standards Act

The number of differing authorities enacted above are intended for use in helping meet specific marketing problems, including establishment of product standards and the provision of grading services.

The standardization program provides for the identification of quality attributes of cotton, tobacco, naval stores, wool, mohair and livestock. When a commodity exhibits specific characteristics described by a standard, the commodity is given a grade.

The process of grading determines whether these commodities come within a standard. Segregation by standard or characteristic permits buyers and sellers to be assured that their requirements will be met regardless of time or place of transaction and without personal inspection. Thus, the standards provide the language for the grading of cotton, tobacco, naval stores, wool, mohair, and livestock to aid in conducting commerce between buyers and sellers. Based on 154 standards in effect at the end of fiscal year 1979, 98 percent of both the cotton and tobacco crops were marketed under Federal grades.

4. Regulatory Activities

In the administration of regulatory activities the Agricultural Marketing Service operates under the following authorities:

Agricultural Marketing Act of 1946
Beef Research and Information Act
Cotton Research and Promotion Act
Egg Research and Consumer Information Act
Export Apple and Pear Act
Export Grape and Plum Act
Federal Seed Act
National Wool Act of 1954
Naval Stores Act
Plant Variety Protection Act
Tobacco Seed and Plant Exportation Act
U.S. Warehouse Act
Wheat and Wheat Foods Research and Nutrition Education Act

Regulatory Activities (Cont'd)

Under the above authorities, AMS regulatory programs include: Warehouse Inspection to assure proper storage of farm products and to assure the integrity of warehouse receipts certifying the quantity and quality of products on hand. The issuance and use of these receipts enables farmers to obtain loans for their products in storage, and facilitates trading in the commodities. The Federal Seed Program which prevents mislabeled seed moving in interstate commerce by providing for random sampling of seeds to insure accurate labeling of seed characteristics. The Plant Variety Protection Program which offers legal protection to developers of new varieties of plants which reproduce by seed, by providing the equivalent of a patent to the plant's developer. The Research and Promotion Programs provide for the collection of an assessment for each commodity covered by the statutes to enable the commodity industries to carry out research and promotion activities. It is the responsibility of the Agricultural Marketing Service to assure responsible use of these assessments in meeting the research and promotion objective. The Export Fruit Program which regulates the export of American fruit by inspection so as to prevent deception or misrepresentation as to the quality of such fruit by providing for inspection of them. The Naval Stores Program which protects users against misleading labeling of turpentine and related products moving in interstate commerce, and The Tobacco Export Program which prohibits the exportation of domestic seed and live tobacco plants from the U.S. except for experimental purposes.

Examples of the volume of regulatory work performed during fiscal year 1979 include: (1) 3,812 unannounced examinations of warehouses licensed under the U.S. Warehouse Act, (2) the random testing of approximately 16,264 seed samples for compliance under the Federal Seed Act, and (3) the examination of 134 applications for protection under the Plant Variety Protection Act.

5. Wholesale Market Development

Activities in this program are carried out under the authority of the Agricultural Marketing Act of 1946.

The Wholesale Market Development program is designed to enhance the marketing of agricultural products in the United States. This is done by (1) performing research into areas that have the potential for increasing marketing efficiency and/or decreasing marketing costs and (2) working with urban areas in evaluating the most effective method of distributing agricultural products within an urban area and from the farm to the urban areas. In FY 1979, 23 studies and projects were initiated, 42 were in progress, and 19 were completed.

6. Market Supervision and Assistance

This program is carried out under the following authorities:

Agricultural Fair Practices Act
Agricultural Marketing Act of 1946
Capper-Volstead Act
Potato Research and Promotion Act

Enforcement of the Agricultural Fair Practices Act and the Capper-Volstead Act enhances market supervision by prohibiting handlers from discriminating or using unfair trade practices against producers who voluntarily join producer bargaining cooperatives. These Acts also assure that such cooperatives do not engage in practices which monopolize or restrain trade. Under the Potato Research and Promotion Act, activities conducted by the industry for advertising, research, and promotion of potatoes are supervised by AMS to assure that they meet legal, accounting, and policy standards. Market assistance is also provided through the Food Marketing Alert Program which promotes an orderly flow of food commodities by informing consumers, retailers, and producers of food commodities in short or abundant supply.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of $782,000 for market news reporting consisting of:

(a) An increase of $505,000 for increased meat market reporting. ($525,000 available in FY 1980).

Need for Change. In 1979, a task force report on the marketing of meat in the U.S. was completed. One of the primary recommendations of this Beef Pricing Report was that the reporting base for meats should be broadened by increasing the number of trades voluntarily reported by both buyers and sellers. By reporting prices based on a small number of open market/negotiated sales it was felt that meat prices could be artificially inflated or depressed by a small number of traders under such "thin market" conditions.

Nature of Change. In order to expand the reporting base for meats, AMS is proposing to increase the number of contacts with the trade in order to discover more open market/negotiated meat transactions and to provide a daily national mailed meat report to the trade.

(b) $35,000 to restore funds used in FY 1980 to keep market news offices open in FY 1980 in accordance with the Conference report on the FY 1980 Appropriation Act. This represents the restoration of funds reduced from this activity in FY 1980. During FY 1980 these funds were utilized in the market news activity to keep open several market news offices which the Conferees requested AMS to maintain in FY 1980, but for which appropriated funds were not made available. For FY 1981, AMS is proposing to restore these funds to regular market news operations from usage for keeping the offices open.

(c) An increase of $242,000 to offset increased costs in the collection and dissemination of market reports. This will permit continued emphasis on providing timely and accurate market news reports.

[The market news total includes $304,000 reallocated in FY 1980 from all AMS activities to maintain market news offices as required by the Conference report of the FY 1980 Appropriation Act. For FY 1981 funds are requested to continue operation of these market news offices. We will also restore funds to those AMS activities from which the funds for operation of these offices were reallocated in FY 1980.]

(2) An increase of $175,000 for packers and stockyards activities consisting of:

(a) $59,000 to restore funds reduced in FY 1980 to keep market news offices open in FY 1980 in accordance with the Conference report on the FY 1980 Appropriation Act. This represents the restoration of funds reduced from this activity in FY 1980 to keep open several market news offices which the Conferees requested AMS to maintain in FY 1980, but for which appropriated funds were not made available. For FY 1981, AMS is proposing to restore these funds to the packers and stockyards activity from the market news activity.

(b) An increase of $116,000 to offset the increased costs of investigation, audit and bonding activities. This will permit AMS to maintain current levels of operation assuring that producers receive fair market value for their products.

(3) An increase of $824,000 for inspection, grading and classing activities consisting of:

(a) An increase of $330,000 for a grader rotation plan during the flue-cured season. ($3,831,000 available in FY 1980).

Need for Change. Historically, AMS has utilized tobacco producing farmers as graders to fill vacancies during the flue-cured marketing season. This practice lends itself to potential conflicts, since graders inspect tobacco located in the same geographic area in which their friends and relatives reside. Currently, sufficient travel funds are not available to assign graders to distant auction markets to decrease potential conflicts of interests.

Nature of Change. Establishment of a grader rotation plan during the flue-cured season would decrease potential incidences of conflicts of interest. To implement the plan, travel costs would be increased by $330,000 to allow graders to be stationed away from their official duty stations.

(b) $162,000 to restore funds reduced in FY 1980 to keep market news offices open in FY 1980 in accordance with the Conference report on the FY 1980 Appropriation Act. This represents the restoration of funds reduced from this activity in FY 1980 in order to keep open several market news offices which the Conferees requested AMS to maintain in the FY 1980 Appropriation Act, but for which appropriated funds were not made available. For FY 1981, AMS is proposing to restore these funds to the inspection, grading and classing activity from the market news activity.

(c) An increase of $316,000 to offset increased costs of providing standardization and grading services for cotton, tobacco and naval stores. This will permit continued emphasis in providing the identification of quality attributes of cotton, tobacco, naval stores, wool, mohair, and livestock including establishment of quality standards and grading services.

(d) An increase of $16,000 for pay costs effective in 1980. This represents a restoration of pay costs absorbed in FY 1980 but which are needed to carry out the program proposed for FY 1981.

(4) An increase of $97,000 for regulatory activities consisting of:

(a) $34,000 to restore funds reduced in FY 1980 to keep market news offices open in FY 1980 in accordance with the Conference report on the FY 1980 Appropriation Act. This represents the restoration of funds reduced from this activity in FY 1980 to keep open several market news offices which the Conferees requested AMS to maintain in FY 1980, but for which appropriated funds were not made available. For FY 1981, AMS is proposing to restore these funds to the regulatory activity from the market news activity.

(b) An increase of $63,000 to offset the increased costs of administering regulatory activities. This will provide for maintaining the current level of warehouse inspection, plant variety protection, the federal seed program, and others under AMS regulatory activities.

(5) An increase of $49,000 for wholesale market development consisting of:

(a) $12,000 to restore funds used in FY 1980 to keep market news offices open in FY 1980 in accordance with the Conference report on the FY 1980 Appropriation Act. This represents the restoration of funds reduced from this activity in FY 1980. During FY 1980 these funds were utilized in the market news activity to keep open several market news offices which the Conferees requested AMS to maintain in FY 1980, but for which appropriated funds were not made available. For FY 1981, AMS is proposing to restore these funds to the wholesale market development activity from the market news activity.

(b) An increase of $37,000 to offset the increased costs of providing assistance to municipalities in planning for centralized wholesale food markets. This will enable AMS to maintain current levels in market research, distribution, and generally improving the marketing of agricultural products in the United States.

(6) An increase of $9,000 for market supervision and assistance consisting of:

(a) $2,000 to restore funds reduced in FY 1980 to keep market news open in FY 1980 in accordance with the Conference report on the FY 1980 Appropriation Act. This represents the restoration of funds reduced from this activity in FY 1980. During FY 1980 these funds were utilized in the market news activity to keep open several market news offices which the Conferees requested AMS to maintain in FY 1980, but for which appropriated funds were not made available. For FY 1981, AMS is proposing to restore these funds to the market supervision and assistance activity from the market news activity.

(b) An increase of $7,000 to offset the increased costs of administering several marketing programs. This will permit continued emphasis on the enforcement of these regulatory programs which enhances free and open competition in the marketplace by protecting producers and handlers of agricultural commodities from financial loss due to careless or fraudulent marketing practices.

Funds Received from Commodity Credit Corporation
(Warehouse Examination, Cotton Classing, and Tobacco Grading)

	Administrative Expense Limitation	Capital Fund	Total
Available, 1980	$2,981,000	$3,441,000	$6,422,000
Budget Estimate, 1981	3,073,000	3,441,000	6,514,000
Change in Availability	+92,000	--	+92,000

PROJECT STATEMENT
(On Basis of Available Funds)

Project	1979 Actual	1980 Estimated	Increase or Decrease	1981 Estimated
Funds from Commodity Credit Corporation:				
Warehouse Examination:				
Administrative Expense Limitation	$2,416,436	$2,981,000	+$92,000 (1)	$3,073,000
Capital Fund	409,387	466,000	--	466,000
Total, Warehouse Examination	2,825,823	3,447,000	+92,000	3,539,000
Cotton classing and tobacco grading	400,000	2,971,000	--	2,971,000
Classing CCC-owned cotton.	3,375	4,000	--	4,000
Total funds from CCC	3,229,198	6,422,000	+92,000	6,514,000

EXPLANATION OF PROGRAM

Warehouse Examination:

The Agricultural Marketing Service administers the CCC warehouse inspection program under a memorandum of understanding with the Agricultural Stabilization and Conservation Service.

The Commodity Credit Corporation, in carrying out its various price support programs, has contracts with approximately seven thousand commercial commodity warehouses for the storage and handling of commodities owned by or pledged to CCC for government loans.

AMS is responsible for determining the qualifications of warehouses and warehousemen for CCC contract purposes and for protecting the government's interest in commodities stored in such warehouses. This is done through original examinations of warehouses and investigations of warehousemen when applications for contracts are filed with CCC, through periodic subsequent examinations of warehouses and the commodities stored therein after CCC enters into a contract, and through continuing review of the warehouseman's operations and financial stability.

Goals are to examine once a year each grain, rice, and cotton warehouse under contract to the CCC. Warehouse storing processed commodities however are to be examined at least four times per year.

Cotton Classing and Tobacco Grading:

The 1952 Department of Agriculture Appropriation Act provides permanent legislation for transfer of funds from the Commodity Credit Corporation to supplement the appropriation for the classing of cotton and the grading of tobacco and any other commodity for which the producer does not pay for the service. (7 U.S.C. 414A).

Classing CCC-Owned Cotton: Reimbursements are received for services performed on classing CCC-owned cotton (31 U.S.C. 686). During FY 1979 AMS classed 4,500 bales of CCC-owned cotton.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $92,000 consisting of:

(a) An increase of $56,000 for FY 1980 pay increase.

(b) An increase of $36,000 for operatating costs. This will provide for maintaining the current levels of surveys for determining the qualifications of warehouses and warehousemen for CCC contract purposes and for protecting the government's interest in commodities stored in such warehouses.

STATUS OF PROGRAM

Work under this appropriation consists of three major areas designed to advance an efficient, orderly marketing system for agricultural commodities. A market news service is carried out in cooperation with the States to provide farmers and other interested parties with timely, accurate and unbiased information on prices, supplies and quality of most agricultural commodities produced or sold in the United States. The inspection, grading, classing and standardization program provides for quality standards and their uniform application. Under the regulatory programs, various laws are administered to assure fair trading in agricultural commodities and supervision of research and promotion activities, thus preventing deceptive, careless, and fraudulent marketing practices.

MARKETING SERVICES

1. Market News Service:

Current Activities:

The objective of the Federal-State Market News Service is to promote an orderly and efficient marketing system for agricultural products through the collection and dissemination of timely, accurate, and unbiased information on prices, demand, movement, volume, and quality of most major agricultural commodities produced or sold in the United States.

Market News directly or indirectly helps all segments of the American economy:

... It helps producers to decide where, when, and at what price to sell.

... It assists producers in planning production.

... It aids dealers in deciding what prices to offer and where to ship.

... It assists the Federal Government in determining price support differentials and price levels for surplus removal and other purchase programs.

... It promotes the orderly and efficient marketing of agricultural commodities, thus ensuring consumers an adequate and reliable food supply at reasonable prices.

Market information is obtained by trained Federal or State reporters who visit trading points at the time of transactions or who gather data by telephone. Information collected by these reporters is analyzed and sent immediately over a leased wire network. National information is integrated with local information and released in a form easily understood by the industry and locality served. The information is disseminated by the news media, as well as by mailed reports, telephone, automatic telephone answering devices, and telegraph.

The cornerstone of the market news service is Federal-State cooperation. In 1979, forty-four States were parties to cooperative agreements with AMS. These agreements provide for Federal-State sharing of the costs of market news reporting, with each State's share based mostly on the relationship between the national and the local significance of the service provided.

Selected Examples of Recent Progress:

A. Changes in the Market News Service:

Dairy and Dairy Products: During late FY 1979, AMS accelerated efforts to broaden the basis for reporting prices for imported cheeses, as a result of the recently enacted Trade Agreements Act of 1979. As soon as feasible, AMS will provide more in-depth marketing information on imported cheeses and similar type domestic cheeses.

Fruits and Vegetables: As a result of the 1979 truckers' strike, a truck rate and availability report for fresh fruits and vegetables moving by unregulated trucks was begun. Market news offices in production areas report truck rates for runs from production areas to destination markets representing geographical regions and include the cities of New York, Dallas, Chicago, Denver, and Los Angeles.

The New York City fruit and vegetable market news office began collecting data concerning the f.o.b. dock sales of imported products arriving by ship for distribution to all parts of the United States. The reports provide information to domestic producers on foreign competition and advise buyers of information on available supplies of commodities, which may be out of season in the U.S. production areas. Market News has been compiling and releasing similar market information on commodities crossing into the United States from Mexico.

The Federal-State New York City ornamental crops office has begun reporting ornamental crops arriving by air from foreign production areas, such as Israel and South America. These reports will supplement ornamental reports issued from the Federal-State office in Miami, Florida.

Significant commercial production areas not previously included in market news reports have been added to the program. Reports will now include western Oregon onions and Medford pears. New Mexico pecans were added to the national pecan report issued from Thomasville, Georgia, through cooperation of the New Mexico Department of Agriculture at Las Cruces.

The Nogales, Arizona, office began reporting information on Mexico grapes crossing into the U.S. at Nogales this season because of the demand from domestic producers for such data.

The San Francisco, California, office began reporting the volume of shipments of cut flowers in response to requests from the ornamental crops industry nationwide. Since California is the largest producer of ornamentals in the United States, this is a significant addition to that program. Previously, only Florida and imported ornamentals were reported, the latter through cooperation of Plant Quarantine inspectors of the U.S. Department of Agriculture. Colorado remains the only major production area unreported since voluntary trade cooperation has been denied.

A survey to determine the feasibility of reporting pre-season contracts of vegetables for processing was conducted in Wisconsin through a cooperative arrangement with the University of Wisconsin. The survey indicated that many growers were interested in such market news reports and would cooperate in providing data. However, processors apparently do not believe reports to be of sufficient value to justify the costs. The University recommended that a trial market reporting effort be made during the coming fiscal year to further test the need and availability of reports for pre-season contracts.

Grain and Related Products: The pilot program to report grain prices at multi-car and barge loading points in Iowa and Southern Minnesota, started in late FY 1978, was continued through FY 1979. An evaluation will be made in early FY 1980 to determine if the information on alternative markets supplied through this program is of sufficient value to producers to warrant continuation. During FY 1979, a Federal-State cooperative program was expanded to report producer sales of rough rice in Mississippi.

Livestock and Meats: During fiscal year 1979, the carlot meat trade reports covering sales of carcass beef and fabricated beef cuts in the Texas-Oklahoma Panhandle were consolidated with the Midwest reports covering sales in Iowa and the Missouri River market area. This report, which is now called the Central U.S. Meat Report, includes all meat sales in the central U.S. production and marketing area. Consolidation of the reports was made possible because the basic difference in prices between the two areas was the freight rate associated with the movement of the product rather than any significant difference in price structure. Report consolidation eliminated some duplication of calls to industry contacts. This resulted in increased efficiency in the utilization of market news reporters and shortened the time required by contacts to report price information to our offices.

In addition, a 4:30 p.m. report was added to the daily schedule, raising the total to three carlot carcass beef and pork cuts reports per day from the Des Moines office.

Pilot projects on Input Market News were initiated in New York and South Carolina under the leadership of the Livestock Market News Branch. Both projects included collecting and disseminating feed and fertilizer price information in certain areas and comparing this information with another controlled area where only collection and observation occurred. Upon completion of the projects, the data gathered will be analyzed to ascertain if disseminating prices had an effect on the price structure in that area.

A Federal-State program was initiated in Indiana to cover auction markets in central and northern Indiana. In addition, increased coverage and dissemination was accomplished in Missouri, Michigan, Nevada and Kentucky through Federal-State cooperative agreements.

A weekly national summary on replacement cows and heifers was initiated to provide producers additional information to aid in rebuilding their cattle herds.

Poultry and Eggs: Changing marketing concepts, increasing industry integration, a wider variety of poultry products, and new packaging have challenged poultry market news reporting in the effort to keep abreast of industry demands for market information.

A specific example is the rapid expansion of the duckling industry. The estimated 17 million ducklings to be slaughtered in 1979 will be an increase of 10% over 1978, 24% above 1977, and 50% over a decade ago. As a result of this continuing upward trend in duckling production, the Poultry Market News Service, beginning in January 1979, initiated a regular price series for ducklings delivered in truckload quantities to the Chicago and New York areas.

Industry interest in a comminuted turkey and broiler meat report is increasing. In the past such comminuted meat was unreportable because of wide variations in product ingredient ratio. However, the industry has moved quickly to standardize product composition. As a result, all poultry market news offices participated in a pilot study to collect comminuted turkey and broiler meat information on a dry-run basis. A new report on this item will result if information collection by offices proves feasible.

Tobacco: During FY 1979 special releases for experimental baled burley sales were initiated and will continue through FY 1980.

In response to continuing industry requests for more detailed reports of tobacco sales and production, AMS is currently considering revisions to current tobacco market reports to provide this additional information.

Plans for participation in the pilot Green Thumb project to take place in Kentucky during FY 1980 were begun. The Green Thumb project involves a computer-controlled information system that will provide users access to information stored in the computer by using a special electronic attachment connected to a telephone and a television set. The user will dial the computer telephone number, the computer will provide the data to the "Green Thumb box" and the data will be stored there for display on the television screen. Although originally proposed for the transmission of weather data for farmers, the dissemination of market news reports for all commodities via the Green Thumb method will be evaluated after results of this pilot study are compiled and analyzed.

In addition, plans were finalized in FY 1979 to provide tobacco market news over the leased wire system beginning in FY 1980.

B. Market News Activity, by Commodity Group, Fiscal Year 1979:

Commodity Group	Field Offices		Buyers and Sellers Interviewed	Mailed Releases (Thous.)	Number on Mailing List (Thous.)	No. of Federal Reporters	No. of Markets Covered
	Year Round	Seasonal					
Cotton and Cottonseed .	29	5	1,900	700	14	43	49
Dairy and Dairy Products	3	--	400	234	5	6	45
Fruits and Vegetables .	42	22	10,231	6,908	71	50	528
Grain and Related Products	26	--	1,618	3,400	49	16	225
Livestock, Meats and Wool	45	--	6,700	985	20	78	419
Poultry and Eggs	21	--	1,800	1,106	12	29	100
Tobacco and Naval Stores	2	3	500	600	3	5	177

C. Federal Cost of Service:

	FY 1979
Total Federal cost of service	$14,788,055
Less reimbursements	-548,263
Paid from Appropriation	14,239,792

D. Obligations by State: Following is a distribution of obligations by State for the Market News program:

	FY 1979 Actual	FY 1980 Estimate	FY 1981 Estimate
Alabama	$73,985	$71,000	$72,000
Arizona	173,774	166,000	167,000
Arkansas	83,017	79,000	79,000
California	1,148,698	1,099,000	1,249,000
Colorado	293,510	281,000	283,000
Connecticut	8,213	8,000	8,000
District of Columbia	4,453,171	4,279,000	4,489,000
Florida	121,421	116,000	117,000
Georgia	447,646	428,000	431,000
Idaho	52,033	50,000	51,000
Illinois	668,452	639,000	662,000
Indiana	144,216	138,000	141,000
Iowa	494,035	472,000	642,000
Kansas	531,906	509,000	513,000
Kentucky	272,480	260,000	262,000
Louisiana	120,974	116,000	117,000
Maine	48,797	47,000	47,000
Maryland	163,430	157,000	158,000
Massachusetts	129,817	124,000	125,000
Michigan	158,655	152,000	153,000
Minnesota	334,619	320,000	323,000
Mississippi	115,441	110,000	111,000
Missouri	344,279	329,000	332,000
Montana	47,860	46,000	47,000
Nebraska	188,136	180,000	182,000
New Jersey	385,400	369,000	534,000
New Mexico	63,758	61,000	62,000
New York	424,757	406,000	409,000
North Carolina	303,303	290,000	292,000
North Dakota	52,914	51,000	51,000
Ohio	255,995	245,000	249,000
Oklahoma	110,061	105,000	106,000
Oregon	154,041	147,000	149,000
Pennsylvania	398,589	381,000	384,000
South Carolina	71,886	68,000	69,000
South Dakota	94,069	90,000	92,000
Tennessee	221,425	212,000	216,000
Texas	569,991	545,000	550,000
Utah	34,032	33,000	33,000
Vermont	8,793	8,000	8,000
Virginia	20,482	20,000	20,000
Washington	228,869	219,000	221,000
West Virginia	54,224	52,000	52,000
Wisconsin	92,396	88,000	89,000
Wyoming	76,242	72,000	73,000
Total	14,239,792	13,638,000	14,420,000

2. Administration of Packers and Stockyards Act:

Current Activities: The Packers and Stockyards Act of 1921 (7 U.S.C 181-229), is administered to assure free and open competition, fair trade practices, and financial protection in the livestock, meat and poultry industries. The objectives of the Act are to protect producers, consumers, and competitors against unfair, deceptive, and discriminatory practices as well as those that are predatory or monopolistic in nature.

Program emphasis has been placed on implementing the provisions of the 1976 amendments which includes packer bonding, statutory trust, prompt payment for livestock, temporary injunctions, civil penalties, and expanded jurisdiction to include wholesale meat brokers, dealers and distributors. During FY 1980, increased efforts will be made to discover and prosecute those involved in commercial bribery.

Selected Examples of Recent Progress:

A. Beef Pricing Investigation: The Department has directed AMS to conduct an investigation of the beef pricing system. The investigation has been completed and a report issued on the facts developed. The focus of the investigation was on the pricing of beef carcasses and included a review of meat packers purchase and sales records, records of meat brokers and market reporting services.

The Secretary appointed a task force in 1979 consisting of industry members and public members to further review the meat pricing system and market reporting services. The task force report containing recommendations was issued in August 1979. The Secretary issued a report based on the recommendations of the task force indicating the actions taken to improve meat pricing and price reporting.

The Department is in the process of implementing the actions outlined by the Secretary, which should be completed by mid-1980.

B. Commercial Bribery: Agency activity in the commercial bribery area has been increasing during the past fiscal year. In one case, the cease and desist order that was entered against a national beef packer was appealed to the circuit court. In September 1979, the Tenth Circuit Court of Appeals upheld this decision. Complaints have been issued against 6 packers and 25 individuals in the Los Angeles area involving the bribery of a chainstore buyer. Four of the packers and individual owners cited in the complaints agreed to the entry of cease and desist orders. Hearings have been completed on the remaining two firms that were involved. In addition to these, other investigations are underway in several areas of the country.

C. Livestock Fraud: Agency activity in the investigation of fraud in the livestock marketing industry has been increasing. In many instances fraudulent activity is associated with some form of bribery. Complaints involving fraud in livestock marketing were issued in nine cases during the fiscal year. Other investigations are currently underway in several areas of the country.

D. Financial Protection: The objective of the program is to minimize losses to sellers from buyer nonpayment for livestock. Each new registrant, except for packer buyers, is prohibited by the Act from operating while insolvent, and each selling agency is required to maintain a separate bank account for shippers' funds. Selling and buying agencies, dealers and packers are required to pay promptly for livestock and each must maintain a surety bond or its equivalent as a form of financial protection for sellers.

The Agency reviewed approximately 1,247 financial statements submitted with applications for registration to further assure that persons entering business as livestock market agencies and dealers were financially capable of meeting their obligations. Each applicant must have current assets equal to or exceeding their current liabilities. Statements of any applicant which failed to show current solvency, or which were incomplete or questionable were returned until solvency could be clearly demonstrated and complete information furnished.

The program includes review of annual and special reports for solvency and custodial account integrity. Investigations are made and appropriate administrative action initiated or restraining orders sought to achieve compliance with these financial requirements.

Financial Protection Activity, Fiscal Year 1979:

Insolvency:	
Registrants suspended	20
Firms found insolvent	339
Amount of insolvency ($ in Millions)	$18
Firms adding capital	300
Amount added to capital ($ in Millions)	$14
Custodial Funds:	
Registrants suspended	7
Firms reporting shortages	191
Firms adding capital	122
Amount added to custodial accounts ($ in Millions)	$4.6
Surety Bonds:	
Bonds in effect, 10/1/78	10,210
Bond coverage provided ($ in Millions)	$333
Bonds processed	1,872
Value of bonds processed ($ in Millions)	$147
Bond riders and equivalents processed	2,506
Bond termination requests processed	2,095
Amount of bond termination ($ in Millions)	$142
Bonds in effect, 9/30/79	9,987
Bond coverage provided ($ in Millions)	$373

E. Livestock Marketing Activities: In working to provide financial protection for livestock sellers and to prevent unfair trade practices in livestock marketing, there were 80 formal investigative reports prepared for administrative or Justice action. The reports contained allegations of fraud, bribery, payoffs, kick-back arrangements, failure to pay for livestock, misuse of shippers' proceeds, illegally selling diseased livestock, speculating in consignments, and fraudulently inflating prices and weights of livestock.

During FY 1979, increased emphasis was placed on investigating instances of fraudulent inflation of weights and prices of livestock. Nine administrative cases involving such fraudulent practices were filed during the year.

In the Northwest, one individual operating a livestock dealer firm and a market agency was fined $5,000 and given a three year suspended sentence after being found guilty of mail fraud and false records in connection with his livestock transactions. In Colorado an individual operating a livestock order buying firm was given three years in prison and fined $2,000 and placed on five years probation following the prison term after being found guilty of mail fraud and false records in connection with his livestock operations.

Significant investigations were completed involving firms in Wisconsin, Iowa, and Illinois, in which a marketing cooperative, three dealers, and two packer buyers were charged with schemes to defraud two large Midwest meat packers and with restraining competition through their purchase agreements.

In the Northeast, four Pennsylvanians and two corporations were charged with conspiracy to fraudulently inflate the prices of livestock purchased on order for meat packers, causing the packers to pay inflated prices and increased commissions for the livestock.

Firmer sanctions have been imposed against registrants for serious violations of the Act, including such practices as fraud, speculating in consignments, and failure to pay. In three separate actions, one registrant was suspended for 14 months and two others for periods of six months each resulting from their failure to pay for livestock. In California, a six month's suspension was obtained against a firm as a result of fraudulent increases in prices and weights of livestock. Civil penalties of $22,000 were assessed against registrants during the year in addition to suspension sanctions imposed under the Act.

In U.S. District Court in Virginia, a corporate registrant was fined $500 and given two years probation and the firm's two officers were placed on probation for three years as a result of their speculating in consigned livestock and permitting their employees to speculate in consigned livestock. Nationally, there were 12 cases of fraud and/or keeping bad records reported resulting in a total of $7,500 in fines.

In two cases appealed to the U.S. Court of Appeals, the court upheld our administrative sanction policy for violation of the Act. One case related to a 14-day suspension of a market agency, and the other case involved a service charge to producers by livestock dealers. In this case, the court upheld our regulation to prevent conflict of interest situations in the buying and selling of livestock.

F. Packer and Poultry Activities: The 1976 amendments to the Packers and Stockyards Act have been extremely effective even though there have been some delays in obtaining payment of trust funds in some packer bankruptcies.

We now have several court decisions which have upheld the validity of the statutory trust provision under the Act. It appears that these decisions will establish a precedent which will assist the agency and cash sellers in speeding up the process for handling the trust provision under the Act.

The Agency has designed its program activities in an effort to prevent losses to livestock sellers before they occur. As a result, there has been more than $27 million added to packers' working capital and there is an ongoing investigative program to determine if packers are in compliance with the solvency and prompt payment provisions of the law.

At least 28 firms, which either discontinued business or filed for bankruptcy while owing cash sellers for livestock, have been investigated since the Act was amended. As a result of the legislation, packers have paid cash sellers $7.7 million under the statutory trust provision. Cash sellers have claims for an additional $3.5 million which are now being litigated in the courts.

AMS area offices continue to maintain close relations with State and local jurisdictions, providing assistance in actions against bait and switch meat operations. An indictment was returned by a grand jury in Washington, D.C. against 2 individuals for violating a cease and desist order involving bait and switch operations.

As required by Section 406 of the Packers and Stockyards Act, which requires the USDA and the FTC to report annually on certain subsections of the Act, one notice of violation was received from the Federal Trade Commission. The Department referred no notices of violation to the Federal Trade Commission.

G. Packer Bonding: As a result of a 1976 amendment to the Packers and Stockyards Act, all packers must be bonded to ensure payment for livestock purchased.

Packer Bonding Activity:

Packers bonded, 9/30/79	865
Value of bonds ($ in Millions)	$206
Bonding claims	74
Number of packers involved	14
Value of claims ($ in Millions)	$2.2

H. Registration Actions: The Act requires that each market agency and dealer operating in commerce be registered. To comply, a firm must file an application simultaneously with a surety bond or its equivalent and a financial statement reflecting solvency.

Registration Activity:

	Market Agency	Dealers	Total
Registrants, 10/1/78	3,942	8,886	12,828
Inactive registrants	680	886	1,566
New registrants	611	636	1,247
Registrants, 9/30/79	3,873	8,636	12,509

I. Scales and Weighing Activities:

	Scales Testing (all scales)			
Type of Scale	Number of Scales	Number of Tests	Percent Scales Inaccurate FY 1978	FY 1979
Livestock	4,775	10,439	16.7	15.7
Monorail	399	807	26.6	26.3
Vehicle	289	686	22.1	21.1

The installation of digital electronic scales continues to increase. The number of electronic livestock scales increased from 241 in FY 1978 to 314 in FY 1979. One-hundred fifteen monorail scales are equipped with electronic indicating units. Sixty-nine of these scales are used to weigh statically and the other 46 scales are installed in systems designed to weigh livestock carcasses while in motion. This type of weighing device is generally installed by large volume slaughtering plants, and a consistent error of a pound or more can be extremely costly to either the meat packer or the livestock producer.

The program to reduce the percentage of scales frequently found to be inaccurate was continued. The number of problem livestock scales (i.e., those found to be inaccurate on two consecutive tests) has been reduced from 488 when the program was implemented in FY 1972, to 158 at the end of FY 1979. The number of problem monorail scales was reduced from 118 to 42 during the same period. Test data indicates that of the scales found to be inaccurate each year, about twice as many scales are weighing light as those weighing heavy.

Testing and certifying scales for accuracy is largely the responsibility of state and local governments. To achieve uniformity in the program, AMS has sought close cooperation with state and local weights and measures officials. Agency personnel participated in 22 State weights and measures association meetings and technical training schools. Four scale testing workshops were conducted for state weights and measures personnel and scale company technicians.

A total of 468 weighing investigations were conducted during FY 1979 as compared to 597 investigations in FY 1978. Indications of false weighing were found in 86 instances, or about 18 percent of the investigations made. Seventy-six firms were placed on notice for weighing violations and will be rechecked to determine if they are in compliance. Five administrative complaints alleging false weighing practices, one administrative complaint alleging failure to have a scale tested, and nine decisions and orders were issued during FY 1979. One case was referred to the U.S. Court of Appeals for the Eighth Circuit. This appeal was denied. Civil penalties were levied against several registrants for false weighing practices ranging from $2,000 to $2,500 in addition to suspensions of registration from 30 to 45 days. One firm was assessed a civil penalty of $250 for failure to have its livestock scale tested.

J. Rates, Services and Facilities: Tariffs for 1,803 posted stockyards and registrants were analyzed for discriminatory features and accepted for filing.

The Agency will continue to review the adequacy of services and facilities at stockyards. The review provides a basis for corrective action to assure livestock consignors of market facilities and services that permit their livestock to be received and sold to their best advantage with minimum shrinkage. During FY 1979, 25 stockyards were investigated.

Environmental and health requirements impose strict market facility and marketing standards. AMS provides assistance to stockyard owners to develop the correct design and operating procedures for handling each class of livestock.

K. Obligations by State: Following is a distribution of obligations by State for administration of the Packers and Stockyards Act:

	FY 1979 Actual	FY 1980 Estimate	FY 1981 Estimate
California	$392,785	$460,000	$472,000
Colorado	300,926	353,000	362,000
District of Columbia	2,662,721	3,130,000	3,163,000
Georgia	376,032	441,000	452,000
Illinois	359,189	421,000	432,000
Indiana	353,535	414,000	424,000
Minnesota	383,494	449,000	460,000
Missouri	413,675	485,000	497,000
Nebraska	497,921	584,000	599,000
New Jersey	233,063	273,000	280,000
Oregon	347,266	407,000	417,000
Tennessee	357,869	419,000	430,000
Texas	423,655	497,000	510,000
Virginia	327,530	384,000	394,000
Total	7,429,661	8,717,000	8,892,000

3. Inspection, Grading, Classing, and Standardization:

Current Activities: These programs assist in the marketing of non-food agricultural products. This is done by (1) establishing national standards which reflect quality and condition for non-food agricultural commodities; (2) developing equipment and methods by which these standards may best be applied; (3) broadening the use of such standards through such things as demonstrations, training courses, bulletins, distribution of photographs and copies of standards; (4) providing a grading and classing service based on these standards; and (5) administering and enforcing laws requiring the use of official U.S. standards for all cotton and cotton linters sold by grade and shipped in interstate and foreign commerce, and for tobacco sold at designated auction markets.

Selected Examples of Recent Progress:

A. Standardization and Related Activities:

New and Revised Standards:

	1979	1980 Est.	1981 Est.
International and U.S. standards in effect, end of year	154	154	154
Number of commodities covered ...	17	17	17
New standards issued	0	0	0
Standards revised	2	2	3

B. Inspection, Grading and Classing:

1. Cotton Classing: A total of 10.6 million samples were classed during fiscal year 1979 compared to 13.7 million samples in fiscal year 1978. Smith-Doxey classing for farmers accounted for 10.0 million samples, a decrease of 2.9 million from last year. Classing for farmers during fiscal year 1979 represented 98 percent of total ginnings.

The Board of Cotton Linters examiners classed 1,100 linters samples under the United States Cotton Standards Act.

Licensed cottonseed chemists issued about 50,000 cottonseed grade certificates which represented about 65 percent of cottonseed production. Licenses were issued to 31 cottonseed chemists and 118 cottonseed samplers.

During FY 1979, 38 gins participated with the Lubbock, TX. electronic recorder pilot project to determine the feasibility of recording cotton classification data in an ADP format at the time cotton is classed. With this system the grower receives a card with the grade data recorded in both visual and machine readible form. The project was favorably received by the cotton industry and a proposal is currently underway for FY 1980 to expand the project to include all of the gins serviced by the Lubbock office. By expanding electronic recorder usage, the cotton industry will be supplied with timely information which will reduce costs and expedite the marketing of cotton.

Implementation of the use of High Volume Instrument (HVI) classing continued during FY 1979. Two additional HVI systems were purchased in FY 1979 to completely equip the Lamesa, TX. Marketing Services office for the FY 1980 harvest season. Also, during FY 1979, evaluation of the system was expanded through cooperative studies with textile manufacturers. Additional HVI systems will be located in selected field offices as the equipment becomes available.

Number of Cotton Classifications and Related Data - 1979-1980:

	Number of Bales	
	1979 (Actual)	1980 (Estimated)
	(in thousands)	
Cotton Classifications:		
Statistics and Estimates Act	22	23
Smith-Doxey Amendment	10,040	13,000
Cotton Standards Act:		
Public Classing Service	153	176
P.L. 480 (reimbursement)	5	5
Cotton Futures Legislation	362	300
Other	15	15
Total, Cotton Classifications	10,597	13,519
Cotton Fiber Tests	581	600
Cotton Linters Classifications:		
Cotton Standards Act	1	1

2. Tobacco Inspection: About 98 percent of the tobacco produced in 1979, approximately 2,098 million pounds, was sold at auction markets and, consequently, was graded on a free and mandatory basis as provided by the Tobacco Inspection Act. In addition, about 164 million pounds of tobacco pledged by growers under the CCC loan program was reinspected on a reimbursable basis. Other permissive inspection and grading amounted to 5.5 million pounds of cigar-type tobaccos.

The FY 1979 experimental sales for untied burley was extended with minor revisions into FY 1980. Upon completion of the burley marketing season ESCS, ASCS, and AMS will reevaluate the experiment while giving full consideration of the needs of the burley and report the results by approximately June 1980.

Volume of Tobacco Inspected by Class, Fiscal Year 1979 and Estimated FY 1980:

	Number of Auction Markets		Sets of Graders	Quantity Inspected and Sold (Thousand Pounds)
	Designated	Inspected		
Auction Markets:				
Flue-cured	94	87 1/	66	1,331,702
Fire-cured	8	8	7	48,973
Dark Air-cured	9	9	4	20,787
Burley	60	60	73	661,473
Maryland	4	4	5	34,747
Permissive	---	---	---	---
Total Auction Markets	175	168	155	2,097,682
Cooperative Marketing Associations:				
Auction types	---	---	---	163,862
Non-auction types	---	---	---	5,500
Total Cooperative Marketing Associations	---	---	---	169,362
Total, FY 1979	175	168	155	2,267,044
Estimated FY 1980 (auction markets only)	175	168	155	1,900,000

1/ Seven markets did not sell in FY 1979.

Fees and Charges in Effect for Fiscal Year 1979 and Fiscal Year 1980:

Commodity and Service	Fees	Effective Date
Permissive Inspection of Tobacco	Regular time $15.50 per hour	12/01/78
	Overtime $18.50 per hour	12/01/78
	Sunday and Holidays $23.20 per hour	12/01/78

3. Livestock Grading - AMS provides an acceptance service on a fee supported basis for livestock delivered to settle futures contracts for the Chicago Mercantile Exchange and the Mid-America Commodity Exchange. The livestock delivered includes live cattle, feeder cattle and live hogs. The service is provided at 15 delivery points in the United States. If on a preliminary examination the livestock appears to be marketable, in good condition and free from defects, then the livestock is graded, weighed and the estimated average meat to waste yield is provided.

4. Commodities Graded on a Fee Basis (Agricultural Marketing Act of 1946) Fiscal Years 1979-1980:

	1979	1980 (est.)
Cottonseed Grade Certificates Issued (in thousands)	50	55
Cotton Micronaire (no. of samples, thousands)	109	2/
Livestock (in millions of pounds)	456	472
Naval Stores:		
Rosin (in millions of pounds)	14	14
Turpentine (in millions of pounds)	2	2

2/ Trust fund for micronaire eliminated September 30, 1979.

C. Federal Cost of Service:

	FY 1979
Total cost of activity	$22,461,714
Less reimbursements	4,641,448
Paid from appropriation	17,820,266
Less income to General Revenue Fund of the Treasury ..	1,839,439
Less value of cotton donated to Federal Prisons	896,400
Net cost to taxpayer	15,084,427
Percent of total cost charged to taxpayer	67.2%
Percent of total cost covered by revenue	32.8%

D. Obligations by State: Following is a distribution of obligations by State for the Inspection, Grading, Classing, and Standardization Program:

	Fiscal Year		
	1979	1980 Est.	1981 Est.
Alabama	375,114	400,000	413,000
Arizona	413,016	441,000	455,000
Arkansas	533,663	569,000	587,000
California	1,221,875	1,303,000	1,346,000
Colorado	67,494	74,000	74,000
District of Columbia	1,883,901	1,996,000	1,951,000
Georgia	287,748	307,000	332,000
Illinois	358,800	382,000	393,000
Kentucky	1,906,005	2,033,000	2,098,000
Louisiana	319,405	341,000	352,000
Maryland	71,269	76,000	79,000
Mississippi	662,135	706,000	728,000
Missouri	152,982	163,000	168,000
New York	95,795	102,000	105,000
North Carolina	3,607,111	3,848,000	4,172,000
Oklahoma	451,618	482,000	498,000
South Carolina	622,456	664,000	716,000
Tennessee	1,976,539	2,127,000	2,193,000
Texas	2,813,340	3,001,000	3,093,000
Virginia	--	--	86,000
Total	17,820,266	19,015,000	19,839,000

4. Regulatory Activities:

Current Activities: Several marketing regulatory laws are administered by AMS. These include the U.S. Warehouse, Research and Promotion Acts for Cotton, Egg, Wheat, Beef, Wool and Mohair, Federal Seed, Plant Variety Protection, Export Apple and Pear, Export Grape and Plum, Tobacco Seed and Plant Exportation, and Naval Stores Acts. These laws regulate various marketing activities and the administration of each include one or more of the following: (1) licensing or registration; (2) supervising operations of licensees or registrants; (3) collecting and testing samples; (4) suspension or revocation of licenses or registrations; (5) determination of adequacy of bond coverage; (6) audits of books and records; (7) investigating complaints and violations; (8) settling disputes; (9) handling of violations; (10) legal protection to developers of new varieties of plants which reproduce sexually; and (11) surveillance of activities conducted in accordance with the provisions of the Research and Promotion Acts.

Selected Examples of Recent Progress:

A. U.S. Warehouse Act:

The primary objectives of this law are to (1) protect producers and others, including the Commodity Credit Corporation, who store their agricultural products in public warehouses; (2) assure the integrity of warehouse receipts as documents of title to be used as collateral for loans, and to facilitate trading in interstate commerce of agricultural commodities; and (3) set and maintain a standard for sound warehouse operations.

Under the provisions of the U.S. Warehouse Act, the Agricultural Marketing Service licenses public warehousemen storing agricultural products, licenses weighers, graders and samplers of such products, and conducts unannounced examinations to assure compliance with the Act.

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Applications for licenses are filed by warehousemen on a voluntary basis. Applicants are charged a one-time fee for licensing. Before licensing, the applicant's storage facilities and operations are examined to determine that they qualify for licensing under the terms of the Act and regulations. After the initial license is issued, the Act provides for periodic examination of the financial condition of the licensee, the adequacy of warehouse records, and the condition and contents of the warehouse. The licensee is authorized to issue Federal warehouse receipts for products deposited for storage. These receipts represent the stored products, and are vital instruments in the marketing and financing of farm production--the aggregate value of which may be $7 billion or more at any one time.

1. Licensing Activity: Licensing activity during fiscal year 1979 included the issuance of 140 new licenses and 761 amended licenses for a total of 901 licensing actions. During the year, 131 licenses were voluntarily terminated and 12 suspended. Two suspensions were subsequently lifted.

   Licensed grain capacity increased from 2,785 million bushels to 2,947 million bushels. Licensed storage capacity for cotton decreased from 10,995,000 bales to 10,349,000 bales. Approximately 40 percent of the Nation's commercial grain storage capacity and 60 percent of the commercial cotton storage capacity are presently licensed under the Act.

   The following table illustrates the trend in the total number of licenses, and capacity of licensed cotton and grain warehouses:

	As of September 30		
	1979	1980 Est.	1981 Est.
Total number of licenses	2,117	2,210	2,308
Capacity: Grain (million bushels)	2,947	3,245	3,570
Cotton (million bales)	10.3	11.0	11.0

2. Supervisory Examination Activity: Licensed warehouses were examined at a rate of 2.08 examinations per year per cotton warehouse (1.61 in 1978), and 1.76 examinations per grain warehouse (1.63 in 1978). Total supervisory examinations were 3,812 in 1979 or 11 percent more than in 1978.

   The following table reflects the warehouse examination workload:

	Fiscal Year		
	1979	1980 Est.	1981 Est.
Cotton			
Examiner man-years	12.8	11.5	11.5
Licensed capacity as of end of year (thousand bales)	10,349	10,995	10,995
Percentage of average occupancy to total capacity	19.8	20.0	20.0
Grain			
Examiner man-years	61.9	59.6	56.0
Licensed capacity as of end of year (million bushels)	2,947	3,245	3,570
Workload per man-year (million bushels)	47.6	54.4	63.7

B. Research and Promotion Programs:

1. Beef Research and Information Act: The Beef Research and Information Act of 1976 authorizes a nationally coordinated research and information program to improve, maintain, and develop markets for cattle, beef, and beef products. A referendum conducted in 1977 to determine if producers wanted the beef research and promotion program failed to receive the two-thirds votes required for passage. Fifty-six percent of the voters were in favor of the referendum. The Act was amended in 1978 to reduce requirements for referendum passage to a majority of producers voting.

   The Act authorizes a Beef Board, composed of producers, to collect assessments on the sale of cattle and use the funds for beef research and promotion activities. Activities during FY 1979 included a public hearing on a proposed order held during February and March of 1979 as well as the development and publication of a recommended decision and order. Public comments were received during a 45-day period in early FY 1980. Following the publication of a final decision and order, a referendum will be held by mid-FY 1980. The Department will be reimbursed for hearing and referendum costs incurred in establishing the program. There will be no reimbursements for Federal salaries until an order becomes effective.

2. Cotton Research and Promotion Act: Enacted in July 1966, the Cotton Research and Promotion Act was passed to enable cotton growers to establish, finance, and carry out a coordinated program of research and promotion to improve the competitive position of, and to expand markets for, cotton and cotton products. The Cotton Research and Promotion Act provides funding for approved research and promotion projects through a mandatory producer assessment of $1 per bale plus 4/10 of one percent of the value of upland cotton. In FY 1979, producers paid approximately $2 per bale to support cotton research and promotion projects. A refund of the mandatory assessment is available if the producer does not wish to support the program. During FY 1979, approximately $21 million in assessments were collected under the Act, with about 20 percent or $4.3 million refunded to producers.

   The aim of cotton research projects is to ease the cost/price squeeze on farmers by (1) reducing production costs; (2) improving fiber quality; and (3) developing new or improved cotton products for industry and consumers.

3. Egg Research and Consumer Information Act. Enacted in 1974, this Act provides for an Egg Board, consisting of egg producers and representatives of egg producers. The Board has responsibility for coordinating a program of (1) research, (2) producer and consumer education, and (3) promotion to improve, maintain and develop markets for eggs and egg products.

   This program is supported by assessments paid by producers not exceeding five cents per 30-dozen case of commercial eggs. Producers not favoring the program have a right to request and receive a refund. AMS has responsibility for monitoring the activities of the Egg Board. Federal administrative costs are defrayed by reimbursements from the Egg Board.

   Accomplishments of the Egg Board during FY 1979 include: (1) increased funding for cholesterol and other nutritional research programs; (2) national media campaigns promoting eggs; (3) tie-in magazine advertising with other food advertisers; and (4) increased consumer education activities.

4. National Wool Act of 1954: This statute defines the procedure for making incentive payments to producers of wool and mohair. It also authorizes the Department to enter into agreements with producer organizations to carry out promotion programs for wool, lamb, and mohair. AMS has responsibility for monitoring the advertisement and promotion programs conducted by producer organizations. Sales and promotion programs for wool and lamb have been conducted by the American Sheep Producers Council since 1955, while the Mohair Council of America performs similar activities for mohair.

   Funding for the promotion programs covered by this Act is obtained by deductions from the incentive payments, subject to producers' approval through a referendum, rather than producer assessments. There are no refund provisions. No deductions are made whenever the average market price is above the support price.

   Since 1974, the average market price of wool has been below the support price and incentive payments have been made to producers. The average price of mohair has been above the support price since 1971 and no government funding has been required. The mohair promotion program is funded by producer assessments collected since 1976 by the Texas Mohair Board, a producer organization. Approximately ninety-seven percent of all mohair is produced in Texas.

   A referendum among wool growers was passed in August 1978 increasing the deductions from the incentive payments from 1-1/2 cents to 2-1/2 cents per pound of shorn wool. Government funds for the incentive payment program come from import duties collected on wool and wool manufacturers and is administered by ASCS. The producer referendums are also conducted by ASCS.

5. Wheat and Wheat Foods Research and Nutrition Education Act: The Wheat and Wheat Foods Research and Nutrition Education Act was enacted on September 29, 1977. This statute authorizes the creation of a program financed through assessments, for the development of a coordinated program of research and nutrition education, and designed to improve the quality of American wheat, processed wheat, and wheat products. The Wheat Industry Council, consisting of no more than 20 members and alternates and appointed by the Secretary of Agriculture, will conduct the activities of this program.

   Each end product manufactuer will pay to the council an assessment not to exceed five cents per hundredweight of processed wheat purchased or transferred. Activities during FY 1979 included a public hearing on a proposed order held during February and March of 1979 as well as the development and publication of a recommended decision and order. Public comments were received during a 45-day period in early FY 1980. Following the publication of a final decision and order, a referendum will be held by mid-FY 1980.

   The Department will be reimbursed from assessments for all costs incurred in the development and monitoring of this program if the order is approved in the referendum.

C. Federal Seed Act:

The Federal Seed Act requires truthful labeling, prohibits false advertising, restricts the distribution of noxious-weed seeds, and establishes germination standards for seed moving in interstate and foreign commerce. This law applies to agricultural and vegetable seeds moving in interstate and foreign commerce. Under memorandum of agreement with all States, State seed inspectors cooperate in the enforcement of this Act. The U.S. Customs Service cooperates with AMS to enforce provisions of the Act relating to imported seed.

1. Interstate Enforcement: In fiscal year 1979, 1,021 complaints of violations of the interstate provisions of the Federal Seed Act were received. Apparent violations of the Act were reported by 38 States. Of the 1,021 complaints received 808 investigations were completed. About 500 State seed inspectors are authorized to inspect seed subject to the Act.

Summary of Interstate Enforcement Activities:

Interstate Activity	Fiscal Year		
	1979	1980 Est.	1981 Est.
Cases for Investigation:			
Total to be investigated	2,323	2,600	2,600
Investigations completed	808	1,200	1,200
Pending at end of year	1,515	1,400	1,400
Administrative Actions:			
No action warranted	114	225	225
Warnings issued	629	900	900
Citations issued	170	225	225
Seizures recommended (complaints)	2	2	2
Prosecutions recommended	6	10	10
Court Actions:			
Prosecutions initiated (court cases)	2	2	2
Prosecutions pending at end of year	3	2	2
Seizure actions terminated	0	2	2
Seizure actions pending at end of year	2	2	2

2. Import Enforcement: During FY 1979, importation of agricultural and vegetable seeds amounted to 68 million pounds, valued at $37 million. This is a 4 percent increase in volume over the previous fiscal year.

Of the 8,335 lots of seed offered for importation, 364 lots were refused admission based on preliminary tests. Assorted dispositions were made of these lots and finally 8,186 lots were admitted.

Import Enforcement Activity:

Activity	Fiscal Year		
	1979	1980 Est.	1981 Est.
Total import actions 1/	8,550	8,300	8,300
Lots offered for import	8,335	8,000	8,000
Lots permitted entry	8,186	7,800	7,800
Lots denied entry	364	200	200
Kinds of seed imported	140	140	140
Pounds of seed imported (millions)	68	70	70

1/ Action taken on lots rejected once and acted on again after cleaning, etc.

3. Seed Testing: The volume of testing done on both foreign and domestic seed is shown in the following table:

Activity	1979	1980 Est.	1981 Est.
Seed samples tested in connection with			
Imports	9,093	8,000	8,000
Interstate shipments	2,434	3,000	3,000
Standardization	2,860	3,500	4,000
Service testing	1,877	2,000	2,000

D. Plant Variety Protection Act:

The Plant Variety Protection Act was passed on December 24, 1970. Its purpose is to: (1) encourage the development of novel varieties of plants which reproduce by seed; (2) insure that these novel varieties of plants are made available to other growers, if necessary, to insure an adequate supply of fiber, food, or feed in this country at a reasonable price; and (3) provide protection equivalent to a patent to those who breed, develop, or discover novel varieties of plants.

The Plant Variety Protection Office of the Agricultural Marketing Service administers the provisions of the Act. This office issues certificates of plant variety protection to developers of novel varieties of sexually reproducing plants, providing them with exclusive rights to sell, reproduce, import or export such varieties, or use them in the production of hybrids or different varieties for a period of 17 years.

A total of 120 applications for protection of new varieties of seed were received in FY 1979, compared with 106 in FY 1978. A total of 142 (including applications from the previous year) were pending action at the end of fiscal year 1979. Searches were conducted on 134 applications (to determine whether the seed constituted a new variety) and 88 certificates of protection were issued.

E. Naval Stores and Tobacco Export Permits:

1. Naval Stores Act (Regulatory Provisions):

This law protects users, particularly at the retail level, against adulteration, misleading labeling, and short weighing of naval stores. Samples of turpentine and related products moving in interstate commerce are tested and the labels examined to assure their accuracy.

Regulatory activities in connection with naval stores have been reduced to a minimum level because of the rapidly decreasing significance of turpentine in small containers for retail sale, and the lack of discovery of significant violations in recent years. A testing operation was maintained for analysis and testing of 28 samples of turpentine.

2. Tobacco Seed and Plant Exportation Act:

This law prohibits the exportation of domestic tobacco seed and live tobacco plants from the U.S. except for experimental purposes. In fiscal year 1979, 84 certificates were issued for the export of tobacco seed to be used for experimental purposes.

F. Export Fruit Acts:

This project includes administration of the Export Apple and Pear Act of 1933 and the Export Grape and Plum Act of 1960. Both laws were enacted to promote export of these U.S.-grown fruits. These laws protect markets, prevent deception or misrepresentation as to the quality of such products, and provide for commercial inspection of such fruit. During fiscal year 1979, 29 carriers' offices were visited. Eighty-four exporters and 1,470 lots of fruits were involved.

G. Federal Cost of Regulatory Activities:

	FY 1979
Total cost of activity	$4,968,555
Less reimbursements	-133,089
Paid from appropriation	4,835,466
Less income to General Revenue Fund of the Treasury	-363,349
Net cost to taxpayer	4,472,117
Percent of total cost charged to taxpayer	90.0%
Percent of total cost covered by revenue	10.0%

H. Obligations by State: Following is a distribution of obligations by State for Regulatory activities:

	FY 1979 Actual	FY 1980 Estimate	FY 1981 Estimate
Alabama	136,718	143,000	146,000
California	140,299	147,000	150,000
District of Columbia	1,754,534	2,021,000	2,043,000
Georgia	276,159	288,000	295,000
Illinois	13,606	14,000	14,000
Indiana	404,784	423,000	433,000
Maryland	18,841	20,000	20,000
Minnesota	392,841	410,000	420,000
Missouri	154,584	161,000	165,000
Nebraska	568,993	594,000	608,000
New Jersey	104,315	109,000	112,000
New York	8,487	9,000	9,000
North Carolina	6,083	6,000	6,000
Oregon	191,739	200,000	205,000
Tennessee	345,097	361,000	369,000
Texas	318,386	333,000	341,000
Total	4,835,466	5,239,000	5,336,000

5. Wholesale Market Development:

Current Activities: The wholesale market development program is currently engaged in several programs to enhance the marketing of agricultural commodities in the United States. There are two primary functions of this program. One is to perform research in various marketing projects that have the potential of either improving the marketing facilities for agricultural commodities or reducing the cost of marketing agricultural products. This research is performed in cooperation with other government agencies and private industry. The other major function of this program is to provide technical assistance to municipalities, assisting in planning improvements to their food distribution facilities. This assistance deals largely with the application of engineering, economic and marketing principles, and concerns all food commodities at all places in the marketing channel. The assistance rendered consists of studies to evaluate the present facilities in use (should there be any) to determine if new facilities are needed, and to develop overall plans for new facilities should any be needed. The goal of this program is to increase overall food marketing efficiency and lower the cost of marketing food.

Selected Examples of Recent Progress:

1. Boston, Massachusetts: The new New England Produce Center and Boston Market Terminal and the New Boston Meat Market in Boston, MA., were constructed using plans developed by the USDA. The development of these facilities made possible the relocation of many food wholesalers from their location in the historical Faneuil Hall Market area, which has been restored recently as a national landmark. The initial USDA study estimated that a savings of $6 per ton in handling costs would be possible in the improved facilities. A followup study made after the improved facilities were in operation proved not only that the savings estimate was true, but also that the volume of products handled had risen 75 percent over the volume handled in the old facilities.

2. Northeastern New Jersey: A study has just been completed to develop a plan for improving the wholesale food distribution facilities in Northeastern New Jersey. The study affects an eight-county area of over 5 million people. The final plan includes 643 wholesale food firms who employ over 27,000 people and handle an annual volume of over $6.5 billion worth of food products. The study was conducted in cooperation with the New Jersey Interdepartmental Committee on a Food Distribution Center, appointed by Governor Brendan T. Byrne.

3. Hunts Point, New York: A 450-acre wholesale food distribution center at Hunts Point in New York, NY., is being developed on the basis of a USDA study. With construction costs projected at over $200 million, the Hunts Point Center is to be used to efficiently distribute food from all over the world to the tables of over 15 million people.

Research projects currently being conducted include:

1. Development of improved physical distribution systems for marketing fresh tomatoes.

2. Costs for different systems of marketing shell eggs from packing plant to retail stores.

3. Improved systems for handling groceries from manufacturer to wholesale warehouses.

A summary of research and development projects follows:

	FY 1979 Actual	FY 1980 (Est.)	FY 1981 (Est.)
Studies and projects initiated	23	18	23
Studies and projects in process	42	46	45
Studies and projects completed	19	19	23

Obligations by State: Following is a distribution of obligations by State for Wholesale Market Development:

	FY 1979 Actual	FY 1980 Estimate	FY 1981 Estimate
District of Columbia	$35,443	$ 255,000	$ 253,000
Maryland	967,327	1,047,000	1,098,000
Total	1,002,770	1,302,000	1,351,000

6. Market Supervision and Assistance:

Market supervision and assistance is provided through the administration of the Agricultural Fair Practices Act, the Capper-Volstead Act, the Potato Research and Promotion Act, and the Food Marketing Alert Program.

The Agricultural Fair Practices Act and the Capper-Volstead Act protect producers against discriminatory practices by handlers. Both acts also permit producers to engage in cooperative efforts so long as such cooperatives do not engage in practices that monopolize or restrain trade.

The Potato Research and Promotion Act provides for agency supervision of advertising and research activities designed to strengthen the demand for potatoes and potato products. The program is financed by a producer-approved one cent per hundredweight assessment on potatoes used for human consumption and seed. During FY 1979 the Board collected and disbursed $2.3 million for potato research and promotion.

Assistance is also provided through the Food Marketing Alert Program. This program promotes the orderly flow of food from producer to retailers and consumers by informing these groups when commodities are in short or abundant supply.

Obligations by State: Following is a geographic distribution of obligations for Market Supervision and Assistance activities:

	FY 1979 Actual	FY 1980 Estimate	FY 1981 Estimate
California	$ 20,972	$ 27,000	$ 27,000
District of Columbia	554,767	706,000	715,000
Georgia	25,614	32,000	32,000
Illinois	21,498	27,000	27,000
New York	27,410	35,000	35,000
Texas	27,943	36,000	36,000
Total	678,204	863,000	872,000

AGRICULTURAL MARKETING SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Payments to States and Possessions:

[For payments to departments of agriculture, bureaus and departments of markets, and similar agencies for marketing activities under section 204 (b) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623 (b)), $1,600,000.]

This change proposes deletion of the Payments to States program which has been in effect since 1948. During that period of time, most State departments of agriculture have received increased appropriations from their States in response to their marketing service needs. As these State marketing appropriations have gradually built up over the years, the relative importance of Federal funds under this program has gradually diminished. Therefore, it is proposed to abolish the Federal portion of the program.

(b) Payments to States and Possessions

Appropriation Act, 1980	$1,600,000
Budget Estimate, 1981	--
Decrease in Appropriation	-1,600,000

PROJECT STATEMENT

Project	1979 Actual	1980 Estimated	Increase or Decrease	1981 Estimated
Payments for marketing service work under section 204(b) of the Agricultural Marketing Act of 1946	$1,600,000	$1,600,000	(1) -$1,600,000	--
Total Appropriation	1,600,000	1,600,000	-1,600,000	--

EXPLANATION OF PROGRAM

Payments are made to State marketing agencies on a matching fund basis to carry out approved marketing service projects designed to bring about improved marketing. Under this activity, marketing specialists work with farmers, marketing firms, and agencies in solving marketing problems and in utilizing marketing research results.

This program has covered such projects as: electronic marketing; telephone auction systems, maintaining and improving the quality of products; ways of reducing marketing costs; expanding outlets for surplus products; collecting and disseminating special State and local market information and statistics; and improving the organizational structure of the marketing system. During fiscal year 1979, 17 States participated in the program covering 26 projects.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of $1,600,000 for elimination of the payments to States and Possessions program ($1,600,000 available in 1980).

Need for Change. Federal funds have been provided to States on a temporary basis to pay up to half the costs of pilot-testing special service projects to help solve local marketing problems. The program has been underway since 1948 and during that period of time those State Departments of Agriculture so inclined have been able to build a capability to respond to marketing service needs. The Administration no longer believes it is necessary to assist State Departments of Agriculture in conducting marketing service projects geared to developing ongoing State capabilities and services, or to attack specific marketing problems.

Nature of Change. Federal matching funds would no longer be provided to assist States in funding projects to deal with specific State or local marketing problems.

STATUS OF PROGRAM

Current Activities: The Federal-State Marketing Improvement Program is authorized by Section 204(b) of the Agricultural Marketing Act of 1946 in which cooperative agreements are authorized between the U.S. Department of Agriculture and State Departments of Agriculture or similar State agencies. Beginning in FY 1980, projects funded through the Federal-State Marketing Improvement Program that improve the efficiency of the food distribution system will be coordinated with the Market Research and Development Program. These agreements make possible joint Federal/State projects aimed at improving the efficiency of the agricultural marketing chain. The States contribute at least half of the cost of such projects. The work is performed either by State personnel or is contracted out to private industry.

Selected Examples of Recent Progress:

Assistance has been provided to farmers, handlers and processors of agricultural crops and livestock to improve marketing practices, the provision of product quality and the efficiency of agricultural transportation. Emphasis was placed on projects promoting electronic commodity trading since inproved price discovery methods are needed to eliminate the marketing problems associated with "thin markets", where there are few buyers and sellers of a commodity on the open market. This system will emphasize increased trader participation and will result in more efficient commodity marketing. The following three projects will further develop this marketing technique:

A. TEXAS:

$325,197 to implement, on an experimental basis, an electronic marketing system for feeder cattle trading. State officials will use a computer network for 10 months in an estimated 10-15 sites to test the usefulness and practicality of the system. The project will evaluate the feasibility of collecting and disseminating market news over a computerized system as compared with conventional methods. Simultaneously, trade interest in and acceptance of a computerized system will be evaluated.

$500,000 to evaluate the effectiveness of electronic cotton classing equipment. Specifically, the High Volume Instrument (HVI) classing system will be evaluated in terms of improving cotton marketing by not only giving the traditional grade, staple and micronaire determinations, but also fiber strength and uniformity. The latter two tests are both highly significant in predicting spinning performance and yarn quality.

B. MISSISSIPPI:

$133,956 to determine the current supply/demand conditions for pond-reared catfish versus imported or wild catfish; the relative market shares of U.S. pond-reared catfish; the impact of current State regulations on catfish use; and the possible future market for pond-reared catfish. The project will be jointly conducted by the Mississippi Department of Agriculture and Commerce and the Mississippi State University.

The following is a description of all other projects by State awarded during FY 1979:

C. ALABAMA:

$20,000 to continue a 1978 project with the aim of assisting individuals and small firms wishing to export commodities. The State provided assistance to participants meeting the quality standards of foreign buyers, credit and transportation arrangements, packaging, and other factors which differ from domestic marketing practices.

D. ALASKA:

$28,000 to perform a feasibility study for new agricultural enterprises in Alaska. This project developed a data base to be used by the State producers and cooperatives in evaluating the feasibility of new processing or production units in the dairy, poultry, feed, and livestock industries.

$7,500 to do a base survey of the shipment of major agricultural products into Alaska.

$6,000 to develop a system to disseminate prices on a daily basis in order to provide current market information to those marketing Alaskan products.

E. GEORGIA:

$60,132 to carry out a two-year feasibility study of computerized multi-commodity marketing. The study will be aimed at developing data on such crops as peanuts, soybeans, corn, fruits, vegetables, and livestock in southwest Georgia.

F. HAWAII:

$14,000 to assist the anthurium industry in developing a method of forecasting weekly anthurium production. Forecasts will be made eight to ten weeks before harvest so that growers and shippers can plan their labor, equipment, and other requirements, and to tie promotional efforts to peak production times.

$35,000 to continue a 1978 project intended to assist in predicting the size of the papaya crop in time for the industry to make decisions on marketings in Japan and on the U.S. mainland. A project in 1977 concentrated on predicting the crop size of papayas grown in volcanic soils, and a 1978 project was intended to develop the same predicting techniques for papayas grown on non-volcanic soils.

G. ILLINOIS:

$10,450 to study grain elevator and warehouse bankruptcies in major grain producing States from 1976 through 1978. The study will focus on the number of failures, the amount of financial losses, and the effect of such failures on farmers.

H. INDIANA:

$37,819 to help farmers and marketing firms to develop export markets for their products. The individuals and firms will be assisted in developing contacts with foreign buyers, in arranging credit and meeting transportation, labeling, and packaging requirements.

$20,000 to continue a 1978 project to test the effect of reporting retail food prices on store pricing policies and consumers' behavior, and to determine the need for public reporting of retail food prices. Store prices and price changes will be gathered in matched cities. A price report will be issued in one city and the other city will serve as a control. The movement and level of retail prices between cities, as well as retail price movement in relation to movement in farm prices, will be studied.

$27,500 to work with direct marketers in providing information on price, quantity, and quality of fruits and vegetables. The project will use computer terminals available in county agents' offices to gather and disseminate information. Traditional fruit and vegetable market news (terminal and shipping point prices and volume) also will be provided.

I. IOWA:

$20,185 to evaluate the effectiveness of the Iowa Federal-State livestock market news programs. Livestock producers and other users will be surveyed to learn how they collect market information, whether the information is in a useable format, and how this information may be used in making production and marketing decisions. The study will be of value in making future decisions on livestock market news on specific locations, type, and class of animals reported.

J. NEW JERSEY:

$7,500 to continue a project from 1978 to test the effect of reporting fruit and vegetable transactions at the Vineland auction and the reporting of truck shipments of peaches and dry onions.

$32,640 to evaluate the feasibility of marketing fresh water aquaculture products in terms of the market availability and the required technological and environmental conditions.

K. NEW HAMPSHIRE:

$18,139 to work with farmers who directly market their production. Under the project, large buyers (hotels, restaurants, and institutions) will be contacted to determine the conditions under which they will buy directly from farmers. The information gathered will be provided to producers who wish to sell to such buyers. Producers who wish to sell directly to consumers also will be assisted in developing outlets.

L. NEW YORK:

$26,524 to test truckload sales of leghorn fowl (spent hens) and fruits and vegetables during the time when they are plentiful in the State. Most spent hens are now sold to processors.

$28,208 to develop a method of assuring consumers of consistent, high quality potatoes in retail stores, and to give higher returns to producers for producing the quality product.

$49,310 to determine the feasibility of the development of a facility for the marketing of flowers and other ornamentals in the Long Island area and the possibility of establishing a "Clock Auction" marketing system for ornamentals.

M. NEW MEXICO:

$17,500 to develop a toll-free telephone line for buyers and sellers. The project will make it easier for buyers to locate sellers, and is designed to make hay marketing more efficient by encouraging more direct sales from producers to buyers.

N. NORTH DAKOTA:

$31,900 to continue a program to increase exports of farm products from the State. Under the 1978 project, the State attributed additional sales of $2.5 million of North Dakota's products to the project. Included in the $2.5 million were sales of $1.2 million of oil from sunflowers, $580,000 of sales of buckwheat, and $750,000 of sales of rapeseed.

O. TENNESSEE:

$53,280 to finance a two-year project to develop tele-auction sales for slaughter cattle and feeder cattle. Both the hogs and feeder cattle will be sold on a commingled (by ownership) graded basis. It is hoped that the larger, uniform lots of hogs and cattle will attract more buyers from a larger geographic area than the current system of selling animals individually or in one-owner lots.

P. TEXAS:

$65,260 to test shipping cattle in a new type of railroad car. The self-container car can transport cattle long distances, as it has room for cattle to rest, and contains supplies of feed and water. The car will be tested on trips between Texas and Tennessee. Future plans are to transport cattle between Florida and California.

Q. WISCONSIN:

$24,000 to continue a 1978 project to develop expertise in export marketing and transportation by establishing positions in those areas. The export work will concentrate on providing export leads, from FAS and other sources, to Wisconsin firms, and assist them in meeting export requirements in such areas as labeling, packaging, and product composition. The transportation work will concentrate on analyzing the effect of rail abandonment on agriculture and developing alternative sources of transportation.

R. Distribution of Payments: The distribution of the Federal Payments to States for FY 1979 is shown in the following table:

Alabama	$20,000
Alaska	41,500
Georgia	60,132
Hawaii	49,000
Illinois	10,450
Indiana	85,319
Iowa	20,185
Mississippi	133,956
New Jersey	40,140
New Hampshire	18,139
New Mexico	17,500
New York	104,042
North Dakota	31,900
Tennessee	53,280
Texas	890,457
Wisconsin	24,000
Total	$1,600,000

(c) Perishable Agricultural Commodities Act Fund

Appropriation Act, 1980 (from receipts)	$2,218,000
Budget Estimate, 1981 (from receipts)	2,265,000
Change in Appropriation	+47,000

PROJECT STATEMENT
(On Basis of Available Funds)

Project	1979 Actual	1980 Estimated	Increase or Decrease	1981 Estimated
Licensing dealers and handling complaints	$2,017,153	$2,392,000	+$47,000 (1)	$2,439,000
Unobligated balance available, start of period	-673,669	-364,208	+174,000	-190,208
Unobligated balance available, end of period	364,208	190,208	-174,000	16,208
Total available or estimate	1,707,692	2,218,000	+47,000	2,265,000

OBLIGATION LEVELS
(On Basis of Available Funds)

Item	1979 Actual	1980 Estimated	1981 Estimated
Appropriation (from receipts)	$1,707,692	$2,218,000	$2,265,000
Unobligated balance available, start of period	673,669	364,208	190,208
Total Available	2,381,361	2,582,208	2,455,208
Total Obligations	2,017,153	2,392,000	2,439,000
Unobligated balance available, end of period	364,208	190,208	16,208

EXPLANATION OF PROGRAM

License fees are deposited in this special fund and are used to meet the costs of administering the Perishable Agricultural Commodities and the Produce Agency Acts (7 U.S.C. 491-497, 499a-499s). The current annual license fee is set by law at a maximum of $150.

The Acts are intended to assure equitable treatment to farmers and others in the marketing of fresh and frozen fruits and vegetables. Commission merchants, dealers, and brokers handling these products in interstate and foreign commerce are licensed. Complaints of violations are investigated and violations dealt with by (a) informal agreements between the two parties, (b) formal decisions involving payment of reparation awards, and (c) suspension or revocation of license and/or publication of the facts.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $47,000 for operating costs. This will provide for maintaining current levels to assure equitable treatment to farmers and others in the marketing of fresh and frozen fruits and vegetables.

STATUS OF PROGRAM

Current Activities: The Perishable Agricultural Commodities Act and Produce Agency Act, both funded by annual license fees, are designed to: (1) protect producers, shippers, distributors and retailers from unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for and on behalf of others.

Commission merchants, dealers, brokers, and retailers engaged in the business of handling fresh or frozen fruits and vegetables in interstate or foreign commerce must be licensed under the Perishable Agricultural Commodities Act (PACA). Those who handle produce on behalf of others are required to give a true and correct accounting to their principals. Buyers and sellers must fulfil the terms of contractual agreements, and buyers must pay promptly for their purchases. Buyers who have previously violated the prompt payment provisions of this Act are required to post surety bonds in advance of transactions. False or misleading statements, misbranding, and similar violations, are prohibited.

Any interested party or group may request the assistance of the Department in settling disputes under the Perishable Agricultural Commodities Act. When a complaint supported by evidence reflects an apparent violation of the Act and is filed by an injured party, the Department will communicate with the respondent party, make the necessary investigation, and endeavor to bring about an amicable, informal settlement. Where informal settlement of a dispute proves unlikely, the complainant is afforded the opportunity to file and pursue a formal complaint under the law. In all proceedings each party has an opportunity to present his side fully. The Department determines whether a violation exists, the loss or amount of damages to be paid, and issues a formal order calling for payment of reparation where appropriate. If violations are repeated or flagrant, disciplinary action may be taken by the Department to suspend or revoke the offender's license to deal in perishable agricultural commodities.

Selected Examples of Recent Progress:

A. Perishable Agricultural Commodities Act:

1. Licensing Activities. At the end of fiscal year 1979, 15,900 licenses were in effect, a net decrease of 240 from 1978. This slight decline has been due to the trend toward mergers and consolidations of large firms.

Activity	Fiscal Year		
	1979	1980 Est.	1981 Est.
Licenses renewed	13,744	13,700	13,500
New licenses issued	2,156	2,000	1,900
Licenses terminated	2,439	2,200	2,200
In effect end of year	15,900	15,700	15,400

2. License Fees. Annual license fees, together with arrearage fees, are deposited into a special fund. All AMS expenses for administration of the Perishable Agricultural Commodities and Product Agency Acts are paid from this fund. Congress has approved authorization for an increase in the annual license fees from $100 to a maximum of $150, effective January 1, 1979. The current fee is $135.

PACA (Cont'd)

3. Informal Reparation Complaints. During fiscal year 1979, over 19,000 inquiries were received from members of the industry seeking advice concerning disputes. The assistance rendered has enabled traders to avoid many marketing problems which could have resulted in the filing of complaints and increased the Department's workload.

   There were 1,742 new reparation cases filed this year, as compared to 1,655 filed last year. Amicable settlements were arranged in 845 cases. These settlements resulted in payments to disputing parties totaling $6.1 million.

4. Formal Reparation Complaints. In 1979, there were 421 decisions and orders issued by the Judicial Officer, as compared with 497 decisions last year. In 275 of the decisons reparations were awarded, amounting to $2.2 million.

5. Summary of Workload:

Activity	Fiscal Year 1979	1980 Est.	1981 Est.
Actions Completed:			
a. License actions	16,827	16,528	16,300
b. Reparation actions	21,598	21,600	21,700
c. Disciplinary actions	138	145	150
d. Misbranding actions	723	780	790
e. Personal investigations	2,224	2,300	2,400
Reparations: (Dollars in Thousands)			
Awarded - Formal orders	2,241	2,500	2,500
Payments - Amicable settlements	6,118	6,500	6,500
Total Reparations	8,359	9,000	9,000

B. Produce Agency Act:

The Produce Agency Act, a criminal statute, is designed to prevent the improper destruction or dumping of farm produce received in interstate commerce on consignment and to require commission merchants to truly and correctly account for such shipments.

This year four new complaints were filed and one case was carried over from last year. All five cases were closed informally.

C. Obligations by State: Following is a distribution of obligations by State for the Perishable Agricultural Commodities Act program:

	FY 1979 Actual	FY 1980 Estimate	FY 1981 Estimate
California	158,627	191,000	191,000
District of Columbia	1,262,824	1,485,000	1,532,000
Georgia	2,562	3,000	3,000
Illinois	207,614	250,000	250,000
Maryland	6,280	7,000	7,000
New York	216,162	260,000	260,000
Texas	163,084	196,000	196,000
Total	2,017,153	2,392,000	2,439,000

Passenger Motor Vehicles

The 1981 Budget Estimates propose the purchase of 1 replacement motor vehicle. This represents 4 percent of the total net active fleet of 24 passenger motor vehicles available to the Agricultural Marketing Service. The 1 replacement in Fiscal Year 1981 is for Marketing Services activities.

The number of passenger motor vehicles estimated to be available for 1981 represents the minimum required to maintain essential services of the current programs of the Agricultural Marketing Service. These cars are used in providing the following necessary services: (1) traveling to places which are in most cases not accessible by common carriers, such as farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, cotton gins, and compress operators; (2) carrying special grading and testing equipment used for inspection and grading commodities and for performing other work required under United States Warehouse Act, Cotton Acts, and Naval Stores Act; and (3) carrying boxes of cotton standards types used in classing work and demonstrations at farmers' meetings.

Replacement of passenger motor vehicles. Replacement of 1 of 24 vehicles now in operation is proposed. This passenger motor vehicle will be replaced on the basis of justifications with respect to mileage and age standards prescribed by the General Services Administration. These standards provide that vehicles to be replaced must be at least six or more years of age, or have been driven 60,000 miles or more, and other factors. A lifting of the current moratorium on passenger motor vehicles would enable the replacement of six vehicles, or 25 percent of the active fleet during FY 1980.

The age mileage data for passenger motor vehicles on hand as of September 30, 1979 is as follows:

Age/Year Model	Age Data		Lifetime Mileage (thous.)	Mileage Data	
	Number of Vehicles	Percent of Total		Number of Vehicles	Percent of Total
1974 or older	11	46	80-100	--	--
1975	6	25	60-80	8	33
1976	4	17	40-60	8	33
1977	2	8	20-40	8	34
1978	1	4	Under 20	--	--
1979	--	--		--	--
Total	24	100		24	100

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