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AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2004

THURSDAY, MAY 8, 2003

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

The subcommittee met at 9:58 a.m., in room SD–192, Dirksen Senate Office Building, Hon. Robert F. Bennett (chairman) presiding.

Present: Senators Bennett, Cochran, Specter, Burns, Craig, Stevens, Kohl, Harkin, Dorgan, Durbin, Johnson, and Byrd.

DEPARTMENT OF AGRICULTURE

OFFICE OF THE SECRETARY

STATEMENT OF ANN M. VENEMAN, SECRETARY OF AGRICULTURE

ACCOMPANIED BY:

JAMES R. MOSELEY, DEPUTY SECRETARY
KEITH COLLINS, CHIEF ECONOMIST
STEPHEN DEWHURST, DIRECTOR, OFFICE OF BUDGET AND PROGRAM ANALYSIS

Senator BENNETT. The subcommittee will come to order.

Let me apologize, Madam Secretary, to you and your team and to the others who are interested in the hearing for the fact that we are starting so late. We had a historic vote on the floor of the Senate. The leader reminded us that this is the 58th anniversary of VE Day, which makes me feel a little old because I remember VE Day.

But for those who do not understand, that stood for Victory in Europe, and was the day when the Nazi war machine surrendered and ended the war in Europe, and of course, a day of great rejoicing and excitement.

And symbolically on this day we have just ratified the treaty that expands NATO and brings into NATO those former Soviet Republic, nations that were under the Soviet yoke, that have now become part of NATO. The leader asked us all to be on the floor and vote in the traditional fashion, standing at our desks. I think that was worthy delaying the hearing for.

So we again thank you for your indulgence and your patience while we went through that.

This is my first hearing as chairman of this subcommittee and I very much appreciate the support and openness which we have

received from the Department of Agriculture. I have been down to the Department and met with Secretary Veneman and her staff, and am impressed with the depths of her bench as they deal with the very significant problems that we have here.

I am looking forward to working with Senator Kohl, who chaired this subcommittee in the previous Congress and with whom I have had very productive conversations in anticipation of this new assignment.

The Department of Agriculture, I discover, has a very diverse jurisdiction. It is not just about corn. There are all kinds of things going on in the Department which require our attention and funding. So we are looking forward to hearing the Secretary discuss this.

The situation in which we meet is somewhat unusual in that the request for fiscal year 2004 was written before the legislation adopting appropriations for fiscal year 2003 was completed. I do not remember any previous situation where that was true. That leads to some confusion. That leads to some uncertainty as to where we are and what we will be doing.

To further add to that, we have still not nailed down the allocation that we will receive from the full committee for this subcommittee. We have had some preliminary numbers but the chairman of the full committee has been unable to reach complete agreement with the chairman of the House. We do not know what number the House is going to come up with. We do not necessarily have to have the same number but that, I think, is a byproduct of the confusion that arose because the fiscal year 2003 bill had not been enacted when the 2004 request was being put together.

So we are going forward with our hearing. We want to get the information that the Department has to offer to us available and in front of us. But we are going forward with a little more uncertainty than would normally be the case. So that is why we are looking forward to this year with much anticipation, because it will be tremendously informative.

I look forward to learning more, both at this hearing and in a continuing dialogue with the Secretary and the members of the Department that are here.

Senator Burns, we are grateful that you are here with us. Senator Burns presides over the Interior Subcommittee which presides over a good chunk of the Department of Agriculture's budget, so maybe he is here to ask those kinds of questions as well. But Senator we appreciate your being here and we are happy to hear whatever you have to say.

PREPARED STATEMENTS

Senator BURNS. Thank you very much, Mr. Chairman, and thank you, Madame Secretary, for being here this morning. Thank you for a lot of good work along the way, drought assistance being one of those. I know that was a painful thing that went on downtown and we appreciate your good work on that.

I have come this morning to take all the Ag money and put it over in Interior, so you guys who have all those books, can go on back to work now.

When we take a look and see what the President proposed, and I am going to put my statement in the record, Mr. Chairman.

Senator BENNETT. Without objection, it shall be included.

[The statements follow:]

PREPARED STATEMENT OF SENATOR CONRAD BURNS

Good Morning: Thank you, Mr. Chairman for holding this hearing on Ag Appropriations and welcome committee members and new member Mr. Bennett.

Secretary Veneman—welcome—thanks for coming and I would like to thank you for your continued hard work and efforts in helping America's producers provide a food supply that is safe, reliable, abundant and affordable.

Thanks for drought assistance. It was a long hard battle, but you, worked well with myself and farmers and ranchers from Montana.

However, there is still work to do. The Farm Bill greatly increased the number of farmers and ranchers eligible for price support payments, conservation funding and farm program payments. Wood, mohair, honey and pulse crops became eligible for price support payments through loans and LDP's. Milk producers are receiving direct payments based upon milk production and price for each month. I welcome the increased participation which means that farm programs are helping more farmers and ranchers, especially those small and mid sized producers in rural areas.

USDA's Farm Service Agency (FSA) has had the largest proportional reductions in permanent staffing at USDA during the past 9 years. FSA's personnel cuts have resulted in the loss of 5,694 permanent positions or a 38 percent reduction of staff since 1994. Temporary staff years have been reduced since 1996 by 1,424 staff years or a 41 percent reduction. President Bush's new budget proposal for 2004 further reduced 2 temporary staff years or an additional 15 percent while keeping permanent employee levels current.

The shortage of staff is also resulting in delayed implementation of the Direct and County Cyclical Program, a major component of the Farm Bill. As of February of 2003, 39.3 percent of the nation's farms have been enrolled in the Direct and Counter-Cyclical Program with 79 percent of the enrollment period completed. The shortage of employees and increased demands create the likelihood of errors by overworked staff resulting in increased inefficiencies in the FSA County Offices.

Clearly, we have many challenges to face in the critical time of agriculture. Thanks again for being here today and thanks for all you support and hard work in helping the American farmer and rancher. Thank you, Mr. Chairman.

PREPARED STATEMENT OF SENATOR BYRON L. DORGAN

Ms. Secretary, I welcome you and your staff to our subcommittee and I thank you for your appearance before us today. I recognize the challenges of putting together any Departmental budget during these tough budgetary times. As you point out, this budget is "highly constrained." I would call this budget more than "constrained" and argue that it fails to meet the commitments that we made to the American people in the 2002 farm bill.

This budget proposes to take many programs, recommended for mandatory funding in the farm bill, and make them discretionary programs. These include the rural broadband loan program, which I think is critically important to deploy technology to rural America, and many of the renewable energy programs. Given the tough times facing rural America, funding for rural development programs are really critical. Some of these areas have taken a pretty big hit in your budget recommendation, and I would urge the Subcommittee to take another look at your recommendations. Tight limits on discretionary spending will force the subcommittee to make some difficult decisions, and I hope that we will be able to work together to carry through on the promises made in the Farm Bill.

This budget also contains some artificial offsets that will complicate our jobs. Proposals for new user fees, loan sales and caps on delivery expense reimbursements for crop insurance companies have been proposed before and rejected by Congress. These prospects for using these offsets to provide us some relief on limited discretionary spending are not good.

One of my top priorities on this Subcommittee remains robust funding for agriculture funding. Unfortunately, the fiscal year 2004 budget moves us in the wrong direction. Funding for ARS's research programs ($987.3 million requested) is down from an estimated $1 billion in fiscal year 2003, and there is also a slight decrease in formula funds for agriculture research and extension at the land grant Colleges

of Agriculture. I hope that we will be able to continue moving this research in the right direction.

Finally, I hope that USDA becomes more aggressive in pursuing trade violations and I am hopeful that the slight increase of $6.6 million that this budget requests to deal with trade issues will result in more action. I have a question about wheat trade with China that I will pose to the Secretary, but I hope that any increase we provide will yield results in the area of trade enforcement.

Ms. Secretary, I look forward to your testimony.

PREPARED STATEMENT OF SENATOR RICHARD J. DURBIN

Chairman Bennett, thank you for holding this important hearing today. I look forward to working with you, Senator Kohl, and my Subcommittee colleagues on the fiscal year 2004 Agriculture budget. Mr. Chairman, I'd like to welcome USDA Secretary Ann Veneman to this morning's hearing. Madam Secretary, I look forward to working with you and the rest of the USDA team. I'm certainly familiar with the three gentlemen you've brought with you today, Deputy Secretary, James Moseley, Chief Economist Keith Collins and Budget Officer Steve Dewhurst—who all testified last March before this Subcommittee, along with the Secretary. I always enjoy their budget insights.

I'd like to take a few minutes this morning to talk about some very important issues that affect the Department, and my home state of Illinois. When I go back to Illinois, one of the things I hear from farmers is: How can we get the rural economy back on track? As you stated in your testimony, there are over 60 million people that call rural America home. Illinois has a significant rural community so I am pleased to see USDA is committed to creating new economic opportunities and improving the quality of life for a diversified rural population.

One way in which we can improve the rural economy is through providing farmers with incentives for things such as biodiesel and ethanol.

The expanded role for ethanol and biodiesel means more than a boost to industry; it means jobs to rural America, and increased energy security. In my home state of Illinois, roughly one in every six rows of corn, approximately 280 million bushels is the source for ethanol. Illinois ranks second in the nation in corn production, with more than 1.5 billion bushels produced annually, and is the nation's leading source of clean-burning ethanol. Corn grown in Illinois is used to make 40 percent of the ethanol consumed in the United States.

Illinois farmers are the foot soldiers in our battle for energy independence. Farmers throughout the country have come together to build ethanol production facilities that, in many instances, have become the backbone of a regional rural economy. In fact, farmer-owned ethanol plants, taken together, are the single largest segment of the U.S. ethanol industry. As we look for solutions to rural economic stability, we must remember that renewable fuels are part of the solution. Replacing Mideast oil with Midwest ethanol is winner for everyone but the oil sheiks. When we can use our Illinois agricultural expertise to reduce our dependence on foreign suppliers, the whole nation benefits.

In short, we must also work to become less dependent on foreign oil by opening and broadening markets for American agricultural products and find appropriate alternative uses. We need to create incentives for our farmers to produce and develop more efficient ways to make biodiesel and ethanol. I will continue working with my colleagues in Congress, and in the Bush Administration, to make every effort to expand the role of biodiesel and ethanol. Expanding biodiesel and ethanol's role is a win for our farmers, a win for the environment a win for the rural economy.

Madame Secretary, I would like touch on an issue of great importance, food safety. Each year in the United States, food borne illness sickens 76 million Americans and causes more than 5,000 deaths. Tragically, 40 percent of the victims are children. Parents have had to watch their children die terrible deaths from E. coli 0157:H7 contamination, and countless others have seen their children suffer after eating food contaminated with pathogens such as Listeria or Salmonella.

Madame Secretary, I know you have heard these statistics before, and I know you share my belief that 5,000 deaths each year from illnesses we can prevent is simply unacceptable. All of us have been frustrated by court decisions that have stripped the Department of important enforcement powers, needless delays in cleaning up dirty food processing plants and industry resistance to increased food safety inspections. The time has come for us to provide the necessary resources and adequate regulatory framework to ensure the safety of the food eaten in our homes, the safety of food sold in our stores and the safety of food served to our schoolchildren.

While I applaud the proposed $42 million increase for the Food Safety and Inspection Service to hire more plant inspectors and expand the pathogen testing program, the Administration makes these improvements contingent on Congress approving $122 million in new fees on the industry. As you know, similar user fees have been rejected in the past primarily because requiring industry to pay for its own regulation, particularly critical food safety regulation, brings into question the independence of such vital safety programs. Food inspections have historically been considered an essential government function and they should remain so. And, of course, industry simply passes the cost of user fees on to the consumer.

If these fees are rejected as they have been in the past, we would be forced under the administration's program to either wring $80 million out of other vital programs to pay for these critical inspector positions and testing program, or let them go unfunded. I would ask your commitment to fully fund the expansion of FSIS programs without relying on industry fees, and I support your efforts to expand pathogen inspection, testing and training programs to ensure the safety of our food supply.

I also seek your support of legislation that will significantly bolster the safety of our food supply. One important measure, the Safe School Food Act which I introduced earlier this year, would improve the inspection, purchasing and preparation of food served in our nation's schools. Since 1990, there have been more than 100 reported outbreaks of food borne illness in schools that have sickened more than 6,000 children nationwide. The Centers for Disease Control and Prevention tells us that 10,000 more children were sickened in school-related food outbreaks during that time, although those children never learned what food or pathogen made them sick. And those numbers are likely a fraction of the true amount since food borne illness in schools is seriously under-reported in this country.

In fact, the Chicago Tribune recently reported that countless Illinois schoolchildren were served ammonia-contaminated chicken, hamburgers and potatoes over the course of several months last year contaminated food that apparently both Federal and State officials knew about but allowed to be served. In one Illinois elementary school, 42 kids and teachers became so ill after eating chicken with ammonia levels 133 times the acceptable amount, that several were rushed to the hospital. I understand, Madame Secretary, that your agency has worked to improve the safety of food in our schools, but when our schoolchildren are being sent to the hospital after eating the food we provide, inspect and regulate, then obviously much more needs to be done.

The Safe School Food Act fills the numerous gaps in our school lunch food safety program through increased inspection of foods donated to schools by the USDA, increased cafeteria inspections, improved food safety planning at the local level, helping schools incorporate food safety requirements in their purchasing contracts, sharing information on food suppliers' safety records and perhaps most important, giving your agency the authority to ensure that tainted food is removed from schools through mandatory recalls. Some say that the number of food borne illness outbreaks in our schools is relatively insignificant compared to the number of meals served each year. But I believe, as do many others, that when our schoolchildren are being hospitalized because of the food we serve them, we are breaking our promise that we will provide them with a safe and secure learning environment.

Chairman Bennett and Senator Kohl, thank you again for the opportunity to talk about these issues and the fiscal year 2004 Budget.

FSA PERSONNEL CUTS

Senator BURNS. I want to bring up a point that really caught my attention and I think it is something that is indicative of the Department and it is something that I have been saying all along about the Department of Agriculture. It is the reduction in FSA, in staff, and their ability to get their work done. That concerns me.

FSA's personnel cuts have resulted in a loss of 5,694 jobs or a 38 percent reduction since 1994.

I do not know whether any other department in the Department of Agriculture has taken cuts like that or not. You can fill me in on that if you would. But temporary staff years have been reduced since 1996 by 1,428 staff years or a 41 percent reduction.

The President's new budget, proposed for 2004, further cut temporary staff years an additional 15 percent while keeping permanent employees' level current. When you look at those numbers, the

shortage of staff is also resulting in delayed implementation of the Direct and Countercyclical Program, a major component of the Farm Bill. As of February of 2003, 39.3 percent of the Nation's farmers had been enrolled in the Direct or Countercyclical Program with 79 percent of the enrollment period completed. The shortage of employees and increased demands, I think, is creating a likelihood of errors, number one, by overworked staff resulting in increased inefficiencies in our FSA county offices.

I think it points to an attitude towards producer. We are here for the producers and we are just not doing things in that respect that would assist them or to do originally what the Department of Agriculture was created for in the first place.

So I think we are in a time where we have critical challenges. I really believe this wholeheartedly. If somebody can clear me up on this, I would sure stand corrected and I will feel better about the whole thing. But that is the only gun I am going to fire this morning.

Thank you, Mr. Chairman, for allowing me to get on with that sermon. I will pass the plate later.

Senator BENNETT. You took careful aim. Thank you.

Madame Secretary, we appreciate very much your being here and we look forward to hearing what you have to tell us.

STATEMENT OF ANN M. VENEMAN

Secretary VENEMAN. Thank you very much, Mr. Chairman. I appreciate the opportunity to be here with you and the members of the committee and it is an honor to appear before you today.

We have with us today our Deputy Secretary Jim Moseley, our Chief Economist Keith Collins, and our Budget Officer Steve Dewhurst, as well as a number of our staff who are here in the audience as well.

I want to thank this committee again for your support of USDA this year and for the long history of effective cooperation between this committee and the Department in support of American agriculture. I look forward to working with you and continuing to work with you, Mr. Chairman, in your new role as chairman of this subcommittee, as well as the other members, to make progress on issues during the 2004 budget process and to ensure strong programs for our Nation's farm sector and the many other USDA mission areas that we have as well.

I submitted a formal statement that discusses in detail the Administration's 2004 budget and particularly, that of Department of Agriculture. I would be grateful if this would be included in the record.

Senator BENNETT. It will be.

FISCAL YEAR 2004 BUDGET OVERVIEW

Secretary VENEMAN. In the next few minutes I want to provide a quick overview of our budget proposals.

First, the fiscal year 2004 budget focuses on key priorities for USDA, enhancing protection and safety of the Nation's agriculture and food supply, continuing rapid implementation and diligent administration of the 2002 Farm Bill including providing record amounts of conservation funding and protecting natural resources,

providing unprecedented funding for our food and nutrition safety net, expanding agricultural trade, expanding housing for rural citizens, investing in America's rural sector, and improving USDA's programs delivering customer service.

The 2004 budget calls for $74 billion in spending, an increase of $1.4 billion or about 2 percent above the level that was requested in 2003. This is approximately $5.4 billion higher than the actual level in 2001 and represents a growth of 8 percent since this Administration took office.

Discretionary outlays are estimated at $20.2 billion, about a 1 percent change or $300 million below the 2003 requested level.

The request before this committee for fiscal year 2004 amounts to $15.5 billion. The budget seeks record level support for USDA's Food Safety and Inspection Service, or FSIS as we refer to it, our meat and poultry food safety programs, as well as increases to strengthen our agriculture protection programs. These areas of our budget have been top priorities for this Administration since we came into office and particularly since the tragic events of September 11th.

FSIS funding will increase to a program level of $899 million, an increase of nearly $42 million over the 2003 requested level. This represents $117 million or a 15 percent increase in these food safety programs since 2001 when the Bush Administration came into office.

The $899 million for FSIS is comprised of $797 million in appropriated funds and new fees for inspection services provided beyond an approved primary inspection shift. Existing user fees are expected to generate approximately $102 million. This will fund 7,680 food safety inspectors, an increase of 80 inspectors, and provide specialized training for the inspector workforce, increase microbiological testing and sampling, strengthen foreign surveillance programs, and increase public education efforts.

Regarding homeland security and agricultural protection programs, the budget includes nearly $47 million in new funding to strengthen laboratory security measures, conduct research on emerging animal diseases, improve biosecurity, develop new vaccines, create new biosecurity database systems, and continue development of the unified Federal/State Diagnostic Network for identifying and responding to high-risk pathogens.

For the Animal and Plant Health Inspection Service, or APHIS, we are requesting increases of about $30 million above our 2003 request for inspection services. This is to expand the availability of foot and mouth disease vaccines, provide additional protections against chronic wasting disease and poultry diseases, and expand diagnostic and other scientific technical services.

In addition, $200 million is requested for the National Research Initiative, including funding for genomics.

The President's 2004 budget supports the continued implementation of the 2002 Farm Bill, which provides a consistent economic safety net for the next several years for our Nation's farmers and ranchers. We have continued to make good progress in implementing the Farm Bill. All of the Title I commodity programs have been implemented and producers have received payments of over $7.7 billion since the bill was enacted. Signup for base and yield

adjustments formally ended on April 1st and our county offices are now working very hard to ensure producers have Direct and Countercyclical Program contracts in place by June 2nd.

On April 22nd, we announced the Conservation Reserve Program general signup which began May 5th and runs through May 30th. We also announced for fiscal year 2003 the allocation to States of $1 billion in CCC funding for Farm Bill conservation programs and another $800 million in discretionary funds to provide conservation assistance on working farmlands.

In February, the Department issued the proposed rule for the EQIP program for public comment. The comment period has closed and we are about ready to issue the final rule. Also in February, we issued an Advanced Notice of Proposed Rulemaking, or what is referred to as an ANPR, to receive public comment on how to proceed with the Conservation Security Program. That comment period closed on April 3rd.

We have an extremely heavy workload at USDA but we are making good progress. It should be remembered that we could not have done this without the tremendous efforts and hard work of our staff in Washington, in the field offices, and our county service centers all throughout the country.

In 2004, the primary focus will be on Farm Bill conservation programs. Total program level funding for Farm Bill conservation programs increases from about $2.2 billion in 2001, when this administration took office, to almost $3.9 billion in 2004. This includes $3.5 billion for financial assistance and $432 million for conservation technical assistance in 2004 in support of Farm Bill implementation, an overall increase of $582 million over 2003. In total, this represents an unprecedented investment in conservation that will have significant and lasting environmental benefits.

The fiscal year 2004 budget reflects the Bush Administration's continued commitment to the nutrition safety net by including a record of $44.2 billion for domestic food assistance programs, a $2.4 billion increase over the requested level for fiscal year 2003. The President has often said this is a compassionate administration and our continued support for these programs demonstrates that continued commitment.

The budget supports an estimated 21.6 million food stamp participants. It supports a record level of 7.8 million low-income, nutritionally at-risk WIC participants. It supports an average of 29 million schoolchildren each day in the National School Lunch Program. With food stamps, WIC, and school lunch programs, we are reaching more Americans and helping educate more people about healthy eating and stressing the importance of balanced diets. This is part of the President's HealthierUS Initiative.

The budget also includes $2 billion contingency reserve for food stamps and $150 million contingency reserve for the WIC program to be available to cover unanticipated increases in participation in these programs.

A high priority of the Administration is reauthorization of the Child Nutrition Programs and WIC this year to ensure stable and adequate funding for the programs and to improve nutrient intakes of participants. In February, we unveiled some of the Administration's principals regarding reauthorization to include ensuring that

all of those eligible have access to these important programs, working to provide more incentives to schools to provide healthy choices and examining innovative approaches to do so, and ensuring continued program integrity.

The fiscal year 2004 budget continues a strong commitment to export promotion and foreign market development efforts by proposing $6.2 billion in spending. Included in our trade budget is funding for USDA's market development programs including the Market Access and Cooperator Programs, which are increased by $15 million. Since this Administration took office, funding for market development programs has experienced significant growth, a 37 percent increase since fiscal year 2001.

The budget requests a new centralized fund of $6.6 million to support agencies' work in addressing important cross-cutting trade issues, compliance monitoring, dispute resolution, and biotechnology activities within the Department.

A program level of $4.2 billion is provided for the Commodity Credit Corporation export credit guarantee activities. Nearly $1.6 billion is requested for U.S. foreign food assistance activities, including $50 million for the McGovern-Dole International Food for Education and Child Nutrition Program which builds upon the pilot Global Food for Education Program.

We have worked hard in this budget to provide funding to increase rural home ownership and to enhance the economic opportunities and the quality of life in rural America. The Administration proposes spending of $11.9 billion for rural development programs. The budget supports the President's home ownership initiative with particular emphasis on minority family home ownership. The initiative provides for more than 40 percent increase for single-family housing. Nearly $4.1 billion is requested for direct and guaranteed Section 502 single-family housing loans compared to an estimate of $2.8 billion for fiscal year 2003.

The President's budget will provide 49,000 new home ownership opportunities for low—and moderate-income families in rural areas. In addition, the water and waste disposal program is being maintained at the requested 2003 level of $1.5 billion.

The budget supports the Department's strategic plan and supports several management initiatives to better integrate computer systems and technology to provide the Department's constituents with enhanced ability to access records, to sign up for program benefits, to access USDA studies and economic information and to respond to USDA surveys.

These initiatives will also provide USDA employees with the necessary tools to officially operate and deliver services.

Our attention to financial management paid off with the first-ever clean opinion on the Department's fiscal year 2002 financial statements and a significant reduction in delinquent debt, something that we are very proud of.

We are providing greater focus on efforts to eliminate discrimination. Our budget requests $800,000 to fund the new Office of the Assistant Secretary for Civil Rights. We appreciate the funding that was provided by the Congress in 2003 for this new office, and we appreciate the Senate confirming our new Assistant Secretary for Civil Rights, Mr. Vernon Parker. We are very excited to have

him as part of the team and I can tell you that he is already doing a very good job.

Finally, I want to give you a brief update on the $3.1 billion disaster assistance that was included in the 2003 Omnibus Budget package that was signed by the President on February 20th. The same day that the President signed the legislation, I established a Disaster Assistance Working Group within USDA to begin work on the disaster assistance programs. Their charge is very clear, to make implementation of disaster assistance a farmer-friendly process and to make sure the program benefits reach producers as quickly as possible.

I am pleased to announce that the signup for the tobacco crop losses began on March 17th. Signup for the additional benefits associated with the Livestock Compensation Program began on April 1st. The Cottonseed Payment Program signup began on May 2nd. Signup for the Crop Disaster Program will begin on June 6th.

USDA has launched a disaster assistance implementation web site that contains basic program information, the announcements on program signup, questions and answers, as well as a comments and suggestions section to encourage interested parties to provide input to USDA on how best to move implementation forward in a timely and expeditious manner.

PREPARED STATEMENT

Mr. Chairman and members of the committee, that completes my overview of some of the key points in this budget, as well as an update on some important issues in the Department of Agriculture.

Again, I want to thank you for the opportunity to be here this morning. We look forward to working with the committee as we move forward on the fiscal year 2004 budget proposals, and our team at USDA is available in the coming months to provide details and information on all of these important issues.

Again, thank you Mr. Chairman and members of the committee and I will be happy to answer your questions.

[The statement follows:]

PREPARED STATEMENT OF ANN M. VENEMAN

Mr. Chairman, Members of the Committee, it is an honor for me to appear before you to discuss the fiscal year 2004 budget for the Department of Agriculture (USDA). I have with me today Deputy Secretary Jim Moseley, our Chief Economist, Keith Collins, and our Budget Officer, Steve Dewhurst.

I want to thank the Committee again this year for its support of USDA programs and for the long history of effective cooperation between this Committee and the Department in support of American agriculture. I look forward to working with you, Mr. Chairman, and all the Members of the Committee during the 2004 budget process.

As you know, the President's Budget was released on February 3rd. Total USDA outlays for 2004 are estimated to be $74.1 billion. This is an increase of $1.4 billion above the level requested in 2003. Departmentwide discretionary outlays are estimated at $20.2 billion, about $300 million below the 2003 requested level. The Department's request for discretionary budget authority before this committee is $15.4 billion.

This year's budget is consistent with this Administration's policy book: Food and Agricultural Policy for the 21st Century and supports the Department's 5-year strategic plan. This plan outlines long-term goals and strategies for providing leadership in food, agriculture, resource and related issues, and the 2004 budget is designed to help accomplish USDA's strategic goals of: enhancing economic opportunities for agricultural producers; supporting increased economic opportunities and improving

quality of life in rural America; enhancing protection and safety of the Nation's agriculture and food supply; improving the Nation's nutrition and health; and protecting and enhancing the Nation's natural resource base and environment.

Because of fiscal realities, this budget is highly constrained. However, it maintains and enhances critical programs that supports the Department's strategic goals by:

For 2004, this budget supports the following key initiatives:

—Providing necessary funding for the continued implementation and administration of new and expanded programs enacted as part of the Farm Security and Rural Investment Act of 2002 (Farm Bill).

—Implementing the largest and most wide-reaching Farm Bill conservation title ever which represents an unprecedented investment in conservation that will have significant environmental benefits.

—Providing record funding to support record levels of participants in the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) and covers the anticipated increases in participation in the Food Stamp Program, including legal immigrants and others newly eligible for benefits under the 2002 Farm Bill.

—Providing record level funding to strengthen protection against harmful bacteria in meat and poultry products. The request funds additional food safety inspectors and supports continued implementation of a science-based food safety inspection system by providing specialized food safety training to inspectors and other food safety professionals, increasing microbiological testing, and enhancing the information available to inspectors for evaluating food safety hazards that threaten the food supply.

—Supporting the Department's strategic goal of expanding international marketing opportunities by providing over $6.0 billion for the Department's international programs and activities.

—Protecting American agriculture from threats to plants and animals and transfers necessary inspection and research functions to support the new Department of Homeland Security (DHS).

—Providing continued support for fundamental and applied sciences in agriculture, including advancing research on agricultural genomics and on animal and plant pests and diseases.

—Providing over $11 billion in loans, grants, and technical assistance for rural development needs, including electric and telecommunications systems, water and waste disposal systems, rural housing, and business and industry.

—Improving the management and delivery of the Department's programs.

With this as an overview, I would now like to discuss the details of our budget proposals for 2004.

HOMELAND SECURITY

The Department is transferring the border inspection functions of the Animal and Plant Health Inspection Service's (APHIS) Agricultural Quarantine Inspection (AQI) program and the Plum Island Animal Disease Center to the new DHS. The transfer involves $247 million and nearly 2,700 staff years. A Memorandum of Understanding will ensure that USDA has access to AQI employees in the event of future outbreaks of plant and animal pests and diseases.

The budget requests an increase of nearly $42 million over that for fiscal year 2003. It will support 7,680 food safety inspectors, an increase of 80 inspectors, and provide specialized training for the inspection workforce, increase microbiological testing and sampling, strengthen foreign surveillance programs and increase public education efforts. In addition, $30 million will fund efforts by APHIS to expand inspection services, increase the availability of foot-and-mouth disease vaccines, provide protection against chronic wasting disease and poultry diseases, and expand diagnostic and other scientific/technical services. An increase of $47 million will strengthen laboratory security measures, fund research on emerging animal diseases, develop new vaccines, create new bio-security database systems, and continue development of the unified Federal-State Diagnostic Network for identifying and responding to high risk pathogens.

The fiscal year 2002 Emergency Supplemental provided the Department with $328 million for 2002 and 2003 to protect American agriculture and its food supplies from terrorism. The supplemental provided $15 million to APHIS for moving laboratory operations from a strip mall in Ames, Iowa, to the main National Veterinary Services complex. It is under construction. The supplemental of $50 million to ARS at Ames, Iowa, is being used as part of the $124 million appropriated by Congress in recent years for modernization of the research facility. It is awaiting construction.

Another $23 million was allocated to Plum Island, New York. It is being transferred to DHS for laboratory improvements. Funding of $115 million was allocated to improve physical and operational security at USDA labs and facilities, undertake security related research, and improve cyber security. The planning for this effort is largely completed. The remaining $125 million was allocated to improve security for food and agriculture by expanding pest detection and animal health monitoring, emergency preparedness training and exercises and strengthening the regional laboratory network. As of March 2003, $143.7 million has been obligated with the remainder to be spent during 2003.

FARM AND FOREIGN AGRICULTURAL SERVICES

The farm sector in recent years has experienced lower market returns for several major commodities and recurring losses from various diseases, pests and other natural disaster-related causes. While the situation is showing signs of improvement, market returns in some areas of the farm economy are still low. The new Farm Bill enacted in 2002 provides additional financial support for the farm economy if market conditions weaken. The President's budget for 2004 reflects the new Farm Bill which added new countercyclical programs to the farm safety net, reformed other farm programs and substantially expanded the Department's conservation programs. In addition, the budget supports a strong crop insurance program and an aggressive international trade program that will be critical to improving the farm economy in the next few years.

Farm Program Delivery

Farm Service Agency (FSA) salaries and expenses are funded at $1.3 billion in 2004. This would support staffing levels of about 5,900 Federal staff years and 10,800 county non-Federal staff years, including about 1,500 temporary staff years. Temporary staff will be reduced from the high level required in 2003 because of the heavy workload associated with the initial implementation of the new farm programs. However, we expect the workload for FSA to remain at significant levels in 2004, particularly because of Farm Bill requirements in the conservation area. Therefore, permanent county non-Federal staff levels are protected at current levels.

In order to help FSA meet its workload challenges, improve service to farmers, and enhance operating efficiency, the budget provides increased funding of $41.9 million for FSA's information technology efforts related to the Service Center Modernization Initiative. This includes continued installation of geographic information systems (GIS) and other Common Computing Environment (CCE) initiatives to help move the delivery system into the e-Government era. The budget presents these funds as well as funds for the other Service Center agencies under the CCE appropriation to ensure that these activities are well coordinated.

Management initiatives to modernize farm credit program servicing activities and to streamline information technology and related administrative support for the Service Center activities of FSA, the Natural Resources Conservation Service (NRCS), and Rural Development (RD) will also be undertaken in an effort to improve our ability to provide services at less cost.

International Trade

One of the key objectives set forth in the Department's new strategic plan is the expansion of international marketing opportunities. As the strategic plan and our earlier review of the U.S. food and agricultural system in the 21st century make clear, expanding markets is critical to the long-term health and prosperity of American agriculture. With 96 percent of the world's population living outside the United States, future growth in demand for food and agricultural products will occur primarily in overseas markets.

The Department is moving ahead aggressively to achieve our trade expansion objectives. At the center of these efforts is negotiation of trade agreements that will reduce trade barriers and increase market access overseas. At the World Trade Organization, the United States has presented an ambitious proposal for reform of global agricultural trade that will eliminate export subsidies and reduce market access barriers and trade distorting domestic support. At the same time, the Department is actively engaged in efforts to establish regional free trade agreements with countries in Central America and southern Africa, as well as the Free Trade Area of the Americas. Work also has begun to reach comprehensive trade agreements with Australia and Morocco.

Our trade policy activities are not limited to negotiating new agreements, however. As these agreements are implemented, it is essential that we bolster our efforts to monitor compliance and ensure that U.S. rights are protected. These efforts are critical to preserving markets as evidenced by the Department's work over the

past year to resolve trade disputes, such as China's restrictions on soybean imports and Russia's ban on U.S. poultry imports.

The Foreign Agricultural Service (FAS) is the lead agency in the Department's international activities and plays a critical role in our efforts to expand and preserve overseas markets. To support its activities, the 2004 budget provides a program level of $145 million for FAS. This is an increase of nearly $10 million above the 2003 request level and supports a number of important trade-related activities. Among these is a trade capacity building initiative that will allow FAS to work with other countries in their implementation of the Cartagena Protocol on Biosafety. The Protocol is intended to provide uniform standards for ensuring the safe transport and use of products derived from biotechnology. Through a series of regional seminars, training sessions, scientific exchanges, and related activities, FAS will work to ensure that the Protocol's provisions are properly interpreted and applied. This is intended to facilitate the adoption of science-based, transparent, and non-discriminatory standards and, thereby, help to avoid potential disruptions in agricultural trade.

The FAS budget also includes funding for a USDA contribution to the Montreal Protocol Multilateral Fund. Established in 1991, the Fund assists developing countries switch from ozone-depleting substances to safer alternatives. Agricultural issues are expected to become increasingly important in the Montreal Protocol process, particularly as the scheduled phase-out date for the use of methyl bromide approaches. The USDA contribution will help to further U.S. agricultural interests in the Protocol implementation process.

Additional funding in support of FAS trade agreement negotiation, enforcement, and standards-setting activities will be made available from funds requested for the Office of the Secretary to conduct USDA cross-cutting trade negotiation and biotechnology activities. These funds also will be available to bolster efforts by FAS, APHIS, and other USDA agencies to address market access constraints related to biotechnology.

The Department's export promotion and market development programs are another key component in our efforts to expand international marketing opportunities. The 2002 Farm Bill increased funding for many of these programs in order to bolster our trade expansion efforts, and the President's budget fully reflects those increases.

For the Commodity Credit Corporation (CCC) export credit guarantee programs, the budget includes a program level of $4.2 billion which continues the programs near their current level. For the Department's market development programs, including the Market Access Program and Cooperator Program, the budget increases funding to $163 million in 2004. This includes $2 million to continue the Technical Assistance for Specialty Crops Program authorized by the Farm Bill and implemented by FAS last year. The budget also includes $57 million for the Dairy Export Incentive Program and $28 million for the Export Enhancement Program.

The budget supports a total program level for U.S. foreign food assistance activities of nearly $1.6 billion. Of that amount, just over $1.3 billion is provided for the Public Law 480 Title I credit and Title II donation programs. It also includes a projected $151 million for the CCC-funded Food for Progress programs which, based on current price projections, should support 400,000 metric tons of assistance as required by the Farm Bill. The budget also requests $50 million in appropriated funding for the new McGovern-Dole International Food for Education and Child Nutrition Program. As the Committee is aware, the program is funded through CCC in 2003, but beginning in 2004 is to be funded through appropriations. This funding level will provide continuity to new program activities that will begin to be implemented in late 2003.

Farm Credit

The budget also supports a program level of about $3.7 billion in farm credit programs to enhance opportunities for producers to obtain, when necessary, Federally-supported operating, ownership, and emergency credit. The program level is down slightly from last year due to higher subsidy costs for the direct loan programs. In addition, funding has been reallocated from guaranteed operating loans to the direct loan programs to better accommodate the actual demand in these programs. No additional funding is being requested for the emergency loan program. Based on current estimates, the budget assumes that carry-over funding in the emergency loan program will be sufficient to meet demand.

Crop Insurance

The budget also includes full funding for the crop insurance program. The budget includes "such sums as necessary" for the mandatory costs associated with program

delivery and the payment of indemnities. The program is delivered by private insurance companies, and the Federal Government reimburses the companies for their delivery costs. The companies may also receive underwriting gains on policies for which they retain the risk of loss.

In 2000, Congress substantially reformed the crop insurance program, in part, by providing for substantial increases in the premium subsidy available to producers, especially at higher levels of coverage. Producers have responded by purchasing higher levels of coverage. As a result, the premium earned per policy has increased from about $1,500 to over $2,300. However, the number of policies sold has remained virtually steady at about 1.3 million policies, indicating that most policies are renewal business which requires less sales effort than does the solicitation of new customers. In addition, technological advances mandated, in part, by the 2000 reforms have provided producers the opportunity to access information and to apply for crop insurance electronically.

The Administration recently announced that the 2004 book of business would be delivered under the Standard Reinsurance Agreement that has been in place for a number of years. However, the budget includes a proposal to cap the amount of delivery expense reimbursement the companies may receive at 20 percent of the premium. The existing cap of 24.5 percent has been in place since 1998. This proposal is expected to save about $68 million in 2004. These savings are achievable because of improvements in the cost-effectiveness of the delivery system through the establishment of e-commerce procedures, higher premium dollar policies for insuring the same number of acres, and more business being done on a renewal basis.

MARKETING AND REGULATORY PROGRAMS

Marketing and Regulatory Program agencies provide the basic infrastructure to protect and improve agricultural market competitiveness for the benefit of both consumers and U.S. producers.

Pests and Diseases

Helping protect the health of animal and plant resources from inadvertent as well as intentional pest and disease threats has been a primary responsibility of APHIS. The Department is entering into a Memorandum of Understanding with the DHS regarding the transfer of the AQI border inspections program. In this regard, APHIS will retain responsibility for promulgating regulations to protect against agricultural pests and diseases. DHS will provide access to the AQI inspectors in the event of future outbreaks. USDA will retain the role of inspecting passengers and cargoes traveling from Hawaii and Puerto Rico to the mainland for compliance with specified regulations to protect the health of the agricultural sector on the mainland.

The 2004 budget proposes a program level of slightly more than $800 million for salaries and expenses, an increase of about $10 million from the current comparable 2003 estimate. Notable programmatic increases would double efforts against chronic wasting disease, increase the availability of foot-and-mouth disease vaccines to protect against a potential outbreak, fund a low-pathogenic avian influenza program, enhance the ability to track animals and animal products entering and leaving the country, and expand regulatory enforcement. Further, bio-security and physical and operational security efforts would be bolstered, as would veterinary biologic and diagnostic support for the livestock sector. About $32 million is reduced from specific pest and disease management programs assuming an increase in cost-sharing for emergency pest and disease outbreaks by some cooperators. A proposed rule will be published for comment which will provide the criteria for cost-sharing for all cooperators.

Marketing

Another important proposal in the marketing and regulatory programs area involves the Grain Inspection, Packers and Stockyards Administration (GIPSA). The 2004 budget requests $13 million to help ensure efficient market functioning. An increase of almost $1 million would fund a new pilot program to audit the top four steer and heifer meatpackers. The audits are anticipated to result in substantially better financial protection to the regulated industries through heightened financial scrutiny. An additional $500,000 would enhance compliance with the Packers and Stockyards Act and fund a review of the Act. GIPSA will implement a General Accounting Office recommendation to provide industry participants with clear information on agency views of competitive activities. The GIPSA budget also proposes user fees to recover the costs of establishing and amending U.S. Grain Standards, as well as license fees to recover costs of the Packers and Stockyards program.

For the Agricultural Marketing Service the budget proposes a program level of $297 million of which over 65 percent will be funded through user fees with the re-

mainder funded through appropriations. An increase of $1 million in appropriated funds for increased pay costs is included in order to maintain existing program operations in Marketing Services and Payments to States.

FOOD SAFETY

USDA plays a critical role in safeguarding the food supply and its policies have contributed to the recent decline in pathogenic contamination of meat and poultry products and the level of foodborne illness as reported by the Centers for Disease Control and Prevention. This Administration believes that continued investment in the food safety infrastructure is necessary to ensure that the appropriate personnel, tools, and information are available to address the emerging food safety hazards that threaten public health and the viability of our agricultural system.

For 2004, the budget for the Food Safety and Inspection Service (FSIS) provides a program level of $899 million, an increase of nearly $42 million over 2003. The budget includes increases for pay and inflation, the resources necessary to support approximately 7,680 meat and poultry inspectors, an increase of 80 inspectors from 2003. These inspectors are necessary to provide uninterrupted inspection services to the growing poultry industry. Increased funding for domestic inspection programs is also requested to take into account Virginia's decision to terminate its State inspection program and Maine's decision to implement a State inspection program.

The budget includes an increase of approximately $16 million to support programmatic improvements aimed at achieving USDA's strategic objective to reduce the prevalence of foodborne hazards from farm-to-table. These program improvements will permit FSIS to continually assess and update food safety systems in order to ensure the highest level of safety possible. The following programmatic improvements will be supported by the budget.

The budget includes an increase of $2 million to intensify the oversight of foreign inspection systems and inspection of the meat and poultry products which are exported to the United States. As more countries seek permission to export meat and poultry products to the United States, greater efforts will have to be made by inspection personnel to determine that their inspection systems ensure the level of safety that we expect here at home. With this funding, the number of countries being evaluated will increase from 33 to 40.

The budget also includes a programmatic increase of $6 million to strengthen FSIS's microbiological testing program. First, consistent with recent directives issued by FSIS concerning the control of E. coli O157:H7 and Listeria monocytogenes, FSIS will significantly increase the level of testing of meat and poultry products for the presence of these pathogens. With this funding, the number of tests of ready-to-eat meat and poultry products samples for Listeria and Salmonella will increase by 50 percent; environmental sampling for Listeria monocytogenes in firms processing ready-to-eat meat and poultry products will be initiated; and samples of raw ground beef and ground beef products will more than double. This level of sampling will give consumers greater assurance that establishments are effectively controlling or eliminating the presence of pathogens in meat and poultry products.

In order to handle the increased level of testing and to develop the emergency surge capacity in the event of a bioterrorist incident, the budget includes funding to improve the agency's laboratory infrastructure and to increase the number of highly trained chemists and microbiologists. These improvements are necessary to provide FSIS the capability it needs to ensure the safety of the products on a daily basis and to respond effectively to national emergencies involving the products it regulates.

FSIS will also conduct nationwide microbiological baseline studies to provide the long-term data necessary to assess the ongoing risks presented by the products FSIS regulates. Improved risk assessments will make inspection decisions more science-based. Consistent with the Administration's policy on outsourcing, this laboratory testing would be conducted by outside laboratories.

The budget also provides a programmatic increase of $6 million to improve the scientific and surveillance skills of FSIS workforce. This represents approximately a 33 percent increase in FSIS' training budget and a commitment to raising the base level of skill of the FSIS workforce. Training will be provided to in-plant inspectors to enhance the consistency and effectiveness of inspection. Inspectors highly trained in the latest food safety science and technology, including skills in assessing establishment Hazard Analysis and Critical Control Point systems and Sanitation Standard Operating Procedures, must be the backbone of our food safety infrastructure. In addition, training needs to be provided to food safety professionals, such as

microbiologists, toxicologists, and risk assessors, in order to improve the development and enforcement of more science-based regulations.

An increase of approximately $2 million is requested to evaluate and design a mass media campaign aimed at improving the safe food handling practices of consumers. A well educated public is better prepared to understand and address the food safety hazards they face and, therefore, will be more confident in the food they buy and eat.

The 2004 budget also proposes legislation to collect an additional $122 million in user fees annually by recovering 100 percent of the cost of providing inspection services beyond an approved primary shift. Recovering a greater portion of these funds through user fees would result in savings to the taxpayer. These fees will have a minimal impact on prices received by producers or prices paid at retail by consumers.

FOOD, NUTRITION, AND CONSUMER SERVICES

The budget includes $44.2 billion for USDA's domestic nutrition assistance programs, the highest level ever requested. The budget will ensure access to food assistance for all eligible recipients, it will help improve nutritional intakes and reduce obesity, and it will provide support for those recipients working toward economic self-sufficiency.

The Special Supplemental Nutrition Program for Women, Infants and Children is budgeted at $4.8 billion. This is a record high funding request, which funds record levels of at-risk, low-income participants. This request also includes additional funding for program initiatives, including State information systems, breastfeeding peer counselors, and childhood obesity prevention projects. WIC reauthorization is a priority and is assumed in the budget. Ensuring an appropriately funded WIC program with the best possible outcomes is a top Administration priority. Further, the budget includes $20 million for the WIC Farmer's Market Nutrition Program and another $15 million in CCC funds for the Senior Farmers' Market Nutrition Program.

The Food Stamp Program, which is the cornerstone of America's effort to ensure low-income people have access to an adequate diet, is funded at $27.5 billion. This covers anticipated food cost inflation and participation growth of about 1 million participants, including legal immigrants and others newly eligible based on legislative changes in the 2002 Farm Bill. Included is a $2 billion contingency reserve, $1.4 billion for Nutrition Assistance for Puerto Rico, and funds to improve integrity and Electronic Benefit Transfer. Significant progress has been made in reducing over and under payment error in the program such that average State payment accuracy is now 91.34 percent, and overpayment error averages 6.37 percent of benefits. The budget maintains the emphasis on program integrity and seeks to reduce error further.

The Child Nutrition Programs would be funded at $11.4 billion, also a record for these programs. Increases are provided for food cost inflation, growth in the number of meals served and program integrity. Reauthorization of the Child Nutrition Programs is a priority for this coming year, and the Administration believes the focus should be on:

—Ensuring stable and adequate funding for program benefits, especially for eligible meals served to low-income children who are eligible for free or reduced price meals;
—Ensuring access to meals for all children;
—Providing financial incentives to schools that serve meals consistent with the Dietary Guidelines; and
—Streamlining program administration, minimizing administrative burden, ensuring adequate resources for program oversight, reducing error and improving program outcomes, while reinvesting any savings in strengthening the programs.

The budget also includes a proposal specifically to explore policy changes to help ensure that all free and reduced price meal eligibles are correctly certified. USDA studies and national survey data suggest that a significant number of children approved for free and reduced price meals are from ineligible households. Correct certifications are a priority not only because they affect about $7 billion in school meal funds, but also because a wide array of Federal, State, and local education resources, totaling considerably more than meal reimbursements, are targeted to low-income children and schools using the same data. More accurate certifications will help ensure that these resources are all targeted correctly. The Administration would fully reinvest any savings that result from improved payment accuracy to strengthen the programs.

NATURAL RESOURCES AND ENVIRONMENT

The 2002 Farm Bill contains many new conservation programs designed to protect and enhance the environment. The Department is now faced with the demanding task of implementing this Farm Bill which provides nearly $17.1 billion in new conservation funding over the next 10 years. The 2004 budget request in the conservation area recognizes the importance of this task, as well as the need to continue to support underlying programs to address the full range of conservation issues at the national, State, local and farm level.

The 2004 budget request for NRCS includes $1.2 billion in appropriated funding, and $1.4 billion in mandatory CCC financial assistance funding for the Farm Bill conservation programs, including $850 million for the Environmental Quality Incentive Program. The appropriated request includes $577 million for conservation technical assistance for the base programs that support the Department's conservation partnership with State and local entities. One new element in the NRCS appropriated account structure, proposed initially in a 2003 budget amendment, is a new Farm Bill Technical Assistance Account that will provide all technical assistance associated with the implementation of all the Farm Bill conservation programs. In 2004, this new appropriated account is funded at $432 million.

The 2004 budget for NRCS will also enable the agency to maintain support for important ongoing activities such as addressing the problems associated with polluted runoff from animal feeding operations and providing specialized technical assistance to land users on grazing lands. In addition, limited increases will be directed to other high priority activities such as addressing air quality problems in noncompliance areas, more fully implementing the Customer Service Toolkit, and establishing a more effective and meaningful monitoring and evaluation regimen to oversee the implementation of Farm Bill programs.

The budget also proposes certain other changes for the watershed programs. With emergency spending being so difficult to predict, the budget proposes to not seek appropriated funding for emergency work while partially restoring the ongoing watershed planning and Public Law 566 programs. This will help address the backlog of unmet community needs that these programs are designed to meet. Disaster funding will be addressed as emergencies arise.

The Department's 2004 budget request maintains funding for the 368 Resource Conservation and Development areas now authorized. The ongoing program will continue to improve State and local leadership capabilities in planning, developing and carrying out resource conservation programs.

RURAL DEVELOPMENT

Over 60 million people call rural America home and relatively few of them are farmers and ranchers. USDA must embrace this reality and commit to creating new economic opportunities and improving the quality of life for a diversified rural population. Rural America needs to share in the Nation's economic prosperity, in terms of good jobs and earning potential, homeownership and infrastructure for community services, including telecommunications to participate in a highly technological, global society.

The Administration is committed to bringing new ideas, new solutions and new approaches to rural America. The 2004 budget reflects this commitment. It includes new programs that are being implemented using the mandatory funding provided by the 2002 Farm Bill, and maintains the traditional loan, grant and technical assistance programs for rural development purposes at realistic levels of funding while offering new ways to operate these programs. For example, on January 29, 2003, USDA announced the availability of over $1.4 billion in loans for broadband telecommunication. This initiative started as a pilot program in 2001 and is on the verge of becoming one of USDA's most important programs. It could make the same difference to rural America as the railroads did in the 19th century and the highway program did in the 20th century.

The 2004 budget proposes $11.9 billion for USDA's rural development programs, including $680 million for administrative expenses. This program level is estimated to cost the Government $2.3 billion in budget authority, which compares to about $2.6 billion in the President's 2003 budget. Because interest rates have declined, the subsidy costs for most direct loan programs are lower than those reflected in the 2003 budget. The 2004 budget maintains these programs at their 2003 levels, which results in a savings in budget authority.

The 2004 budget maintains the water and waste disposal program at an overall program level of $1.5 billion. However, it proposes that the amount of grants included in this level be reduced from $587 million to $346 million. Because the subsidy rate is only about 3.33 percent for direct loans, compared to 100 percent for

grants, the shift toward more loans would maintain the same program level as the 2003 President's budget while achieving a substantial savings in budget authority. The lowest interest rates in a decade should allow more communities to repay loans rather than rely on grants. In addition, mandatory funding provided by the 2002 Farm Bill was used to fund a backlog of projects that needed a substantial portion of their funding through grants in order to be viable. Recent applications indicate that more projects can be funded through loans alone or with only a moderate grant.

Electric loans are maintained at a $2.6 billion level. However, the amount available for direct loans at the 5 percent interest rate would be increased from $121 million to $240 million. This increase is intended to serve areas with low density and high consumer costs as well as other hardships. Further, USDA intends to ask electric borrowers, most of which qualified for eligibility based on service areas defined decades ago, to recertify that they are still serving rural areas, rather than urban or suburban areas.

Loans for broadband access were initiated as a pilot program in 2001. The 2002 Farm Bill provided the statutory authority and mandatory funding for this initiative. The 2004 budget provides for an increase in discretionary funding for broadband loans from $80 million in the 2003 budget to $196 million for 2004. This increase reflects the Administration's support for bringing internet and broadband services to rural areas, and its belief that this activity should compete for funding under the annual budget process. Therefore, the 2004 budget proposes rescinding the mandatory funding for broadband loans that the 2002 Farm Bill makes available for 2004. The mandatory funding relating to the January 29, 2003, announcement is reflected in the budget as being used in 2003. However, this funding remains available until expended.

The 2004 budget also includes $2 million for broadband grants. As has been the policy since 2001 when the program was established, these grants will be used to assist a few small communities that lack the repayment capacity for loans.

With regard to the rest of the telecommunications programs, the budget includes $495 million for telecommunication direct loans, and $50 million in direct loans and $25 million in grants for the distance learning and telemedicine program. These levels are the same as those requested for 2003. Further, the 2004 budget contains the Administration's prior proposal to stop funding the loan-making activities of the Rural Telephone Bank (RTB). The RTB is fully capable of obtaining funds to make loans through commercial channels as soon as it is privatized through the redemption of its Class A stock, which the Government holds.

The business and industry guaranteed loan program is funded at a program level of $602 million, down from $733 million in 2003. The decrease reflects an increase in subsidy costs due to both increased losses on guarantees made in prior years and technical adjustments.

Section 502 direct loans for single family housing would be increased from $957 million in 2003 to almost $1.4 billion in 2004. This increase would contribute to meeting the President's goal of increasing minority homeownership. In addition, the 2004 budget includes $2.725 billion for Section 502 guaranteed loans, including $225 million for refinancing. While there have been shortfalls in demand for these guarantees in prior years, the Administration recently lowered the fees to bring them more in line with what other Federal agencies charge. This change is expected to ensure a strong demand for the program through 2004. Section 502 direct and guaranteed loans are expected to provide about 49,000 homeownership opportunities in 2004.

Consistent with last year's budget proposal, the 2004 budget does not include funding for new construction of Section 515 rural rental housing projects. This proposal reflects concern about the long-term cost of the Government for maintaining the existing portfolio of 17,800 projects, and the need to find more cost-effective ways to provide housing support for rural residents with very low income. Many of these projects are over 20 years old and in need of repair or rehabilitation. They also require substantial amounts of rental assistance payments to remain viable. USDA has already initiated a review of alternatives for servicing the portfolio and developing options for making loans for new projects at less cost to the Government. Direct loans for repair, rehabilitation and preservation would continue to be made. The 2004 budget would support $71 million for these purposes. Further, the 2004 budget provides $740 million for rural rental assistance payments, which is sufficient to renew all expiring contracts and to support new construction of $59 million of farm labor housing projects.

In addition, the 2004 budget includes an estimated savings of $5 million for sales of loan assets. USDA's RD mission area, along with FSA, will be evaluating the potential for conducting such sales on a regular basis.

RESEARCH, EDUCATION, AND ECONOMICS

Publicly supported agricultural research has provided the foundation for modern agriculture and is an important component of virtually all of our strategic objectives. Research will lead to commercially feasible renewable energy and biobased products with benefits to the environment, national security, and farm income. Genetic and molecular biology hold promise to reduce plant and animal diseases that threaten U.S. agriculture as the movement of plants and animals increases and as bioterrorism becomes a matter of increasing concern. There are technology-based opportunities to make our food supply safer and more wholesome that need to be exploited to address serious human health-related problems.

The 2004 budget for the four Research, Education and Economics agencies is approximately $2.3 billion, nearly the same as 2003 budget level. The 2004 budget follows the general pattern of the 2003 budget with reductions in earmarked programs and program increases in areas where needs and returns are the greatest. The budget also includes increases for pay costs, homeland security related activities, information technology and other infrastructure requirements.

The centerpiece of the 2003 budget was the proposal to move aggressively towards the full authorization level for the National Research Initiative (NRI). The proposal in the 2004 budget is based on the same underlying policy objective, but in a way that is consistent with the greater overall constraints of the 2004 budget. The proposal for $200 million for the NRI will finance work that will have an immediate impact on such issues as emerging diseases of plants and animals, biosecurity, air quality, and food and nutrition. The NRI provides critical support for mapping and sequencing the genomes of organisms of importance to agriculture. These projects are carried out in the major Federal genome sequencing centers in cooperation with other agencies including the National Institutes of Health, the Department of Energy, and the National Science Foundation, where USDA funds are highly leveraged.

The 2004 budget for the Agricultural Research Service (ARS) calls for increases to support participation in genome mapping and sequencing projects and enhance the agency's bioinformatics capacity to transfer this information into research programs. There are increases for work on animal diseases and biosecurity to develop new vaccines, rapid diagnostic tests, and genome data on biosecurity threat agents. The research will lead to improved vaccines and therapeutics against foot and mouth disease and the newly emerging and most threatening swine disease, known as porcine reproductive respiratory syndrome or PRRS.

The budget includes funds to install security countermeasures in ARS laboratories. Security assessments and initial investments in countermeasures were funded through the 2002 emergency supplemental funding. Assessments of all ARS facilities are being completed and funds in the 2004 budget will be used for the highest priority projects. At this time, such security measures represent the highest priority for the Buildings and Facilities account. Congress has appropriated a total of $124 million in recent years for implementation of the animal health facilities in Ames, Iowa. No funding is proposed in the 2004 budget as security of existing facilities is the higher priority for this year. The Administration will reconsider the full range of options for future modernization of these facilities and present recommendations in the fiscal year 2005 budget.

The 2004 budget for the Cooperative State Research, Education, and Extension Service (CSREES) includes funds to continue the formula programs for the 1862 institutions at current levels and increase formula payments to the 1890 institutions as a step towards funding these programs at the higher authorization levels established in the 2002 Farm Bill. There are also proposed increases in funds for the 1994 Tribal Land Grant schools and an increase in the CSREES graduate fellowship program that will allow more funding for fellowships at the masters degree level which is especially important for recruiting minority graduate students. Finally, there is an increase in the Outreach and Technical Assistance Program authorized under Section 2501 of the 1990 Farm Bill which is now being administered by CSREES. Our goals for the 2501 program are to encourage and assist socially disadvantaged farmers and ranchers own and operate farms and ranches and participate in USDA programs. With increased funding to $4 million we will be making more awards, for longer periods of time, to a wide range of community-based entities.

The budget for the Economic Research Service (ERS) includes an increase for two initiatives. An increase of $1 million for a Security Analysis System for U.S. agriculture (SAS–USA) to provide information critical for the mitigation of security threats and attacks to the Nation's agriculture and food supply. The system will integrate spatial and economic data with analysis functions to deliver security assess-

ments and recommendations to key decision makers within a short timeframe. An increase of $1.1 million will allow ERS to investigate consumer behavior, particularly in U.S. export markets, towards foods modified by genomic and other agricultural biotechnology innovations.

The budget for the National Agricultural Statistics Service (NASS) includes an increase for three initiatives and a decrease of $16.5 million for the Census of Agriculture, reflecting the decrease in staffing and activity levels to be realized in 2004 due to the cyclical nature of the 5-year census program.

An increase of $4.8 million is requested to help restore and modernize NASS core survey and estimation program for U.S. agricultural commodities and other economic, environmental and rural data. These data are used by a variety of customers for business decisions, policy making, research, and other issues. They are also necessary for the calculation of national countercyclical payments rates provided under the 2002 Farm Bill.

An increase of $1.6 million for NASS Locality-Based Agricultural County estimates program continues the improvements included in the 2003 budget request. These local estimates are one of the most requested data sets, and are especially important to the Risk Management Agency (RMA) for their risk rating process, (affecting premium levels paid by producers), and to FSA for calculating national loan deficiency payments.

Finally, an increase of $3.25 million is requested to support NASS efforts as the lead agency for two of USDA's enterprise-wide e-Government initiatives, Survey Capability and Data Management. This funding will allow NASS to develop the infrastructure necessary for electronic data reporting for its surveys, thereby reducing the reporting burden on farmers and ranchers.

DEPARTMENTAL MANAGEMENT

The Departmental staff offices provide leadership, coordination and support for all administrative and policy functions of the Department. These offices' are vital to USDA's success in providing effective customer service and efficient program delivery. Salaries and benefits often comprise 90 percent or more of these offices' budgets, leaving them little flexibility to reduce other expenditures needed to continue their operations. The 2004 budget proposes funding required to ensure that these offices maintain the staffing levels needed to provide management leadership, oversight and coordination.

These offices also have key responsibilities related to the President's Management Agenda and other departmentwide and agency-specific management reforms, which are crucial to making the Department an efficient, effective and discrimination-free organization that delivers the best return on taxpayers-investments. The Department has made significant progress in improving management. Examples are:

—The Department has a new strategic plan which is being used to communicate and drive our programmatic, budget and management priorities.

— The Department received its first-ever unqualified or "clean" opinion on the fiscal year 2002 financial statements, significantly reduced delinquent debt and all of the Department's agencies now use a single financial information system that meets Federal standards.

—The Department's National Finance Center was one of four winners of a governmentwide competition to streamline payroll service providers. It also helps nearly 3 million Thrift Savings Plan participants manage and track their investments.

—USDA's customers can increasingly conduct business with the Department online, saving them and the Department time and money over the long term.

The fiscal year 2004 budget builds upon that progress by continuing funding levels for these offices and providing key funding increases in order to:

—Provide $6.6 million to appropriate agencies, such as APHIS, FAS, and GIPSA, through the Office of the Secretary to address cross-cutting trade related challenges. Additional resources are needed for trade negotiations and enforcement actions, as well as in solving biotechnology issues related to market access and regulatory standards. This request will allow Secretarial level coordination, flexibility and resource sharing to target current trade issues.

—Meet demands for Departmental coordination of homeland security efforts, including emergency planning and strengthened physical and cyber security in light of the September 11, 2001, attacks.

—Continue efforts to modernize the Service Center agencies (FSA, NRCS, and RD) to improve efficiency and customer service. A key element in these plans is the maintenance of a CCE for the Service Center agencies and RMA accelera-

tion of our efforts to acquire and use Geospatial Information Systems (GIS). The CCE and GIS are critical to providing electronic services to USDA customers.

—Continue renovations of the South Building to ensure that employees and customers have a safe and modern working environment.

—Enable the new Assistant Secretary for Civil Rights to guide civil rights activities. The President nominated Vernon Parker as the Department's first Assistant Secretary for Civil Rights and he was confirmed by Senate on March 27.

—Enhance outreach efforts to provide all of our customers with information about our programs.

—Enable the Offices of the General Counsel and the Inspector General to provide needed services to the Department.

That concludes my statement. I look forward to working with the Committee on the 2004 budget so that we can better serve those who rely on USDA programs and services.

Senator BENNETT. Thank you very much, Madame Secretary.

As you have seen, as the vote has concluded, a number of members of the subcommittee have joined us. I want to particularly welcome Senator Kohl, who was chairman of the subcommittee and set a high standard of excellence for us all to try to follow.

Senator, if you have an opening statement, we will be happy to hear that and then I will begin the questioning in the normal round.

Senator KOHL. Go ahead.

BIOTECHNOLOGY TRADE-RELATED ACTIVITIES

Senator BENNETT. Thank you very much.

Madame Secretary, I noted that you requested an additional $6.6 million in your own budget to fund cross-cutting trade relating and biotechnology programs throughout the Department. As we have talked to members of your staff, you plan to use this money for the Foreign Agricultural Service, the Animal Plant Health Inspection Service, and the Grain Inspection, Packers and Stockyards Administration.

Could you tell us how you arrived at this figure of $6.6 million? And how much of this amount do you plan to give to each of these agencies? Why didn't the Department request that the increases be provided directly to these accounts instead of coming through your office? Do you have an established criteria for distribution of the funds?

We are just trying to get a better understanding of all of this. And if you do not have those specific members right at your fingertips, you can supply them for the record. But I would appreciate any comment that you would have on this general approach.

Secretary VENEMAN. Mr. Chairman, I appreciate that question. This is a new proposal, something that has not appeared in our budget before. As you know, there are a number of new developments with regard to biotechnology. We are encountering trade issues, as we have worked to open up markets in the European Union. That continues to be a very big issue, not only with the EU but with other countries as well.

As we worked through the budget, one of the things that was apparent was that a number of these agencies were requesting additional funds to work on issues related to biotechnology on the trade side and on the regulatory side as well. We have had issues come up over the course of the last year where we have had to deal with

the cleanup of an issue relating to Prodigy, for example. We also had to deal with the Starlink situation, in 2001.

So these are cross-cutting issues with regard to biotechnology. They are trade related. They are regulatory related. The concept is to have a fund under which we can really utilize the resources that we have in a coordinated manner, in a cross-cutting manner, and have some flexibility as these issues arise.

At this point, is not possible for me to give you the exact break down by agency. Some of that will continue to remain undetermined because we will need some flexibility in this account to address issues that we may not anticipate. But we will be happy to give you what detail we can on this particular proposal.

[The information follows:]

Funding for these activities will be allocated in a coordinated manner to address issues related to trade and biotechnology that are very fluid. It would be premature to make allocations at this time, though we would expect funding to be used to respond to World Trade Organization and regional and bilateral trade negotiation demands, as well as trade and regulatory issues associated with biotechnology. Examples of the types of activities to be funded include:

—work to minimize market constraints related to biotechnology;
—expand efforts to exchange information relating to the implications of implementing laws and regulations related to biotechnology;
—deal with issues that may disrupt trade;
—address increased trade negotiation workload associated with the World Trade Organization's multilateral negotiations to reform world agricultural trade practices, as well as the negotiation of regional trade agreements, including the Free Trade Area of the Americas, and numerous bilateral free trade agreements; and
—ensure that introduced genetically-modified organisms, including those in field testing, do not pose a risk to American agriculture.

CRP/WRP TECHNICAL ASSISTANCE

Senator BENNETT. We would appreciate that.

In the 2003 supplemental, this subcommittee provided direction your Department regarding funding of technical assistance and clarifying the intent of Congress and an area. I understand there has been some confusion about that or at least some dispute about it.

Can you tell us how the Department interprets the language that this subcommittee included in the 2003 supplemental on that issue? And how much money will be required to fund technical assistance for the Conservation Reserve Program and Wetland Reserve Program in fiscal year 2004?

Secretary VENEMAN. Mr. Chairman, as you indicate, there was some dispute about how the technical assistance would be funded. Ultimately, there was a decision by the Justice Department as to how the law should be interpreted and we are bound by that decision.

There was $333 million in the 2003 budget and we are asking for $432 million in the 2004 budget for technical assistance for the conservation programs.

Senator BENNETT. Mr. Dewhurst.

Mr. DEWHURST. Senator, let me just add to the Secretary's answer. As you said, in the Omnibus Bill that the Congress enacted, the Congress clarified the law with respect to technical assistance, and specified that funding from certain of those mandatory programs, provided for in the Farm Bill, should be used to provide technical assistance for the conservation programs, not with-

standing what we know as the Section 11 cap, which had been a problem in the past.

The approach that the Congress adopted in the Omnibus Bill is different from the approach that the Administration had recommended in its budget in the sense that the Administration had recommended the creation of a discretionary account to provide this money and the action of the Congress specifies the use of mandatory money for this purpose.

Senator BENNETT. That is why we asked the question.

Mr. DEWHURST. One of the things that happens here under the operation of that law is that four of the programs that are in the Farm Bill, the EQIP Program, the Farmland Protection Program, the Grasslands Program, and the Wildlife Habitat Incentives Program essentially are asked to provide the technical assistance money to support all of those programs. So you have some of these programs being used as a source of technical assistance money for other conservation programs, and that has become controversial.

The $333 million that the Secretary talked about remains the amount of money that the Department thinks is needed in total to support these programs in the current fiscal year. That money, under the law, will come out of the mandatory programs, out of those four programs I mentioned. It will be used to provide the technical assistance to support all of the Farm Bill programs, including programs such as the Conservation Reserve Program.

So the Administration is continuing to recommend, in its 2004 budget, the creation of a discretionary account for this purpose and the issue resides in where you get the money from and whether or not you want the money from one program to, in effect, subsidize another program. It is quite a complicated and controversial issue.

Senator BENNETT. Thank you. That is a clear explanation of where we are and obviously the determination will have to be made by this subcommittee as to where we go.

Let me ask what might be a parochial question but I think it affects everyone, and then I will go to my colleagues and come back on a second round for my additional questions.

EMERGENCY WATERSHED PROTECTION PROGRAM

I say parochial because the situation occurred in Santaquin, Utah. A wildfire burned the hills in that rural area and Utahans were able to work with NRCS and receive funding through the Emergency Watershed Protection Program. The community was threatened with mud slides and funding helped to avert that potential disaster, and we are naturally very grateful.

The USDA budget now does not include any funding for the Emergency Watershed Protection Program. We may not be having mud slides this year because we are in the 5 year of the worst drought in history, and maybe we would like enough water to perhaps threaten us with a mud slide. But there is no funding for that particular program.

You state that "emergency assistance will be evaluated and addressed as disasters arise." The age-old question how do you address disasters if you have no prior funding, especially in the light of potential devastating fire season that we may have. The flip side

of being free from mud slides is that we are threatened with serious fires.

Unfortunately in the West right now we have the worst of all possible scenarios. We have had, as I say, the worst drought since they started keeping records. And then this spring it rained just enough to create a very significant sprout of grass. When the rain goes away and the grass is there, it is tinder, and then the rest of the landscape is tremendously dry.

So I am concerned, not just for my own state but for all states in the West where this situation exists. With your statement that emergency assistance will be evaluated and addressed as disasters arise, should we not consider putting some money in that fund in advance of the disaster to give you a faster response time to this particular kind of challenge?

Secretary VENEMAN. Mr. Chairman, let me first address the issues that you raise with regard to the West and the drought and fire danger. This has been something we have been following very closely, both because of the impacts of the drought on agriculture but also because of the impacts of the drought on firefighting, and our fire season.

Obviously, last year was one of the worst fire seasons we have ever had. We are continually, through our drought task force, not only implementing the drought assistance provisions but really following this issue of the drought. We are very concerned about what the fire year is going to look like. We are very thankful for the rain we have had but obviously this is a high priority, and also a very strong reason why the President has put forward his Healthy Forests Initiative. We will continue to work through the budget process to try to get that implemented.

Senator BENNETT. Senator Burns will address that in his subcommittee.

Secretary VENEMAN. I know, but I just wanted to remind everyone that that is a very high priority for us.

As far as this program, let me have Mr. Dewhurst address how we have typically used this in the past, in terms of the funding for the disasters.

Mr. DEWHURST. Senator, your question, of course, highlights one of the most difficult dilemmas we have when we put a budget together for the Department in areas such as firefighting and the emergency watershed conservation program that you mentioned. We also have an emergency conservation program in the Farm Service Agency.

In most years that we have emergencies, we are not very good at anticipating the true magnitude of those emergencies. Funding that we provide in advance counts against the discretionary budget targets for the Department.

So in most years that I have been here, most administrations have chosen, although we do provide money in advance for firefighting to some extent, not to budget the Emergency Watershed Program or the Emergency Conservation Program in advance.

What happens is that after we have emergencies, evaluations are done at the local level, and estimates of damages are provided to the Administration and to the Congress. These programs are al-

most always dealt with through supplemental funding after those evaluations are available.

It may or may not be the best way to do it, but it is in fact what has happened over many years.

Senator BENNETT. We may think about changing that. Thank you very much.

Senator Kohl, you have been very patient. We appreciate your support.

Senator KOHL. Thank you very much, Senator Bennett.

I would like to offer a very warm welcome to Senator Bennett as he assumes his responsibilities as chairman of this subcommittee. He is someone that I and other members of this committee have come to know, respect and admire for his fairness.

Senator Bennett, we will all be looking to you for leadership, advice, and counsel as the subcommittee proceeds.

DAIRY PRICE SUPPORT ACTIVITIES

Secretary Veneman, America's dairy farmers and those in my state of Wisconsin, which has more dairy farmers than any other state by far, are suffering hugely from low prices and a dairy pricing system that often works against the farmers best interests. In fact, if it were not for the new dairy program in the Farm Bill, then dairy farmers would be going out of business all across this country at a historical and therefore devastating rate.

We know that there is no single solution to the problems faced by dairy farmers, but as Secretary of Agriculture, you have a number of authorities which you can use to help these hard working men and women stay in business. Expanded dairy research, innovative marketing alternatives, enhanced risk management options, sound conservation practices, rural development strategies, and a strong voice in international trade policy are all necessary to support the dairy industry.

I have listed just a few of the tools that you can use to assist dairy farmers. Please share with us, if you would, how you can use these and other authorities to strengthen the dairy sector and help our struggling dairy farmers survive.

Secretary VENEMAN. Senator Kohl, I appreciate the difficult situation the dairy farmers are faced with regard to prices in recent times. It is something we have heard continuously about and I do appreciate your bringing up some of the various kinds of programs that we have that assist farmers across the board from research to marketing programs and international trade.

Obviously, all of these kinds of programs can be used to help a variety of farmers and rural communities throughout America and we continue to use them. We are working through our international trade negotiations to open up more markets for our farmers and ranchers. We have used some of our tremendous stocks of non-fat dry milk that we have in storage for humanitarian purposes.

You also mentioned the conservation programs, which are increased by about 80 percent in this Farm Bill. Much of that will be available for animal agriculture to help ranchers comply with some of the environmental regulations such as Consolidated Ani-

mal Feeding Operations (CAFOS). So we are using a number of these programs to assist dairy farmers and ranchers.

I will call upon our Chief Economist, Mr. Collins, to just give a quick overview of the situation with regard to the economics of the dairy industry, as well.

Mr. COLLINS. Thank you, Madame Secretary.

Senator Kohl, I agree with your comment about the economic distress dairy producers are in. April milk prices were the lowest since 1978, and that has caused the greatest concern in 25 years.

You outlined the key areas, I believe, where things can be done to help dairy producers. And, we have tools in all of those areas and we are doing some things that people may not know about and may even be surprised about.

If I were looking at how to help dairy producers, I would focus on trying to help them manage the risks they face, starting with the input they buy.

If you take the State of Wisconsin, for example, we have over 700,000 acres of corn that is used for silage for dairy producers. Unfortunately, only about 18,000 acres of that is insured. So we could do a lot better job on developing insurance tools for forage and pasture and silage-type of crops.

On the output side, we have the milk program, the Milk Income Loss Contract Program. We have paid about $1.3 billion to dairy producers since that program began under the 2002 Farm Bill.

In addition to that, we have a couple of interesting programs that are now in operation that are helping small dairy producers. We have Whole Farm Insurance Programs and the Adjusted Gross Revenue Pilot Program which is available in a number of states. Unfortunately, it has a limit as to how much milk can be covered by that program. However, the State of Pennsylvania has a program called Adjusted Gross Revenue Lite, in which 100 percent of the income can come from milk on a farm and be covered. You have to have at least two commodities because it is a whole farm product. But most of it could be milk and could be covered under a Whole Farm Insurance product.

These are new things. These are new tools that are evolving. The Risk Management Agency at USDA is working on those programs, and they hold some potential for providing new crop insurance and risk management tools for dairy producers.

We also have a new product that has been submitted to the Federal Crop Insurance Corporation by a private insurance provider for a price insurance product for milk. So there are things going on that can help producers. But they do not happen overnight. They are taking time. But in the meantime, we have a price support program. We continue to support milk marketing orders. We also have DEIP, the Dairy Export Incentive Program, and we have the Milk Income Loss Contract Program, all providing a range of support to dairy producers.

STRENGTHENING DAIRY PRICE SUPPORT

Senator KOHL. I would like to ask one additional question, Madame Secretary.

The Dairy Price Support system requires that USDA purchase certain dairy products when the Class III price falls below $9.90

per hundredweight. As has been said, since January 2003, the Class III price has remained at record lows and below that support level. In fact, we reached a low of $9.11 per hundredweight in March.

What can you do to strengthen the price support program to prevent the market price from falling below the support level?

Mr. COLLINS. Senator Kohl, this is an interesting case. We have seen this happen before. This is not new this year. It has happened a number of times over the years, that the price has temporarily fallen below $9.90 per hundredweight.

The law requires us to support the price of manufacturing grade milk at $9.90. It can happen that for a particular class like Class III or Class IV, or for a particular region of the country, the milk price can fall below $9.90.

As a whole, the manufacturing grade milk price in the United States has been running close to $9.90. The April average price was, in fact, exactly $9.90.

But the question you raise does point toward the price support program. There may be some things we can do there. There is concern when you see prices on exchanges fall well below $9.90, or the product prices fall way below our purchase prices, for example, like the cheese price or the butter price.

One of the things that we are looking at is the extent to which there are unique costs borne by those who sell their products to us. For example, cheese. If you are talking about the Class III price, that is the price of the milk that goes into producing cheese. When we buy cheese, we impose certain requirements on those that supply cheese to us.

We are reviewing right now what cost those requirements are imposing on the suppliers. And to see whether we have properly accounted for those costs in establishing our purchase price for cheese.

To the extent that we have not properly accounted for those costs, then suppliers would in fact be selling cheese to us at a milk price less than $9.90.

So we are reviewing that right now, trying to look at that dimension of the dairy price support issue you raised.

Senator KOHL. I thank you and I have additional questions, Mr. Chairman, but we will get back to that on the second round.

Senator BENNETT. We will go through a second round. Senator Burns.

CONSERVATION RESERVE PROGRAM

Senator BURNS. Thank you, Mr. Chairman. I have a couple questions regarding CRP. You just closed the applications for CRP; is that correct?

Secretary VENEMAN. No, sir. We just opened them on May 5th through the end of May.

Senator BURNS. Do you have any expectations whether or not you will hit the 39 million acre cap? Is it not capped at 39.3 million acres?

Secretary VENEMAN. It is capped at 39.2 million acres.

Senator BURNS. Do you think you will hit that cap?

Secretary VENEMAN. No, sir, not yet.

Mr. COLLINS. Senator Burns, we are a long way from that cap. Under the 1996 Farm Bill, the statutory cap was 36.4 million acres. We are still a couple of million acres away from that cap.

In addition to that, this fall we will have about 1.5 million acres that will expire. The contracts will expire and come out of the CRP or have to rebid to come in. So we will have a tremendous amount, something on the order of 7 million acres, of potential room under the 39.2 million acre cap.

For the purposes of our budget that has been presented, we estimated about 2.8 million acres would be enrolled in this signup. Now that is not a target. That is just a placeholder that we used to be able to project the budget costs for the CRP. We can go above that, we can go below that, depending on the quality of the bids.

CROP DISASTER PAYMENTS

Senator BURNS. The next question is, of course we went through the drought thing. And I know that you have had to do a lot of work in software and do a lot of things in your county offices in order to get that money out the door.

Give me an idea right now, if you have an idea, when producers can expect some sort of relief or receipt of some of those checks?

Mr. COLLINS. If you are referring to the crop disaster payments, the signup begins June 6th and payments can be expected within a couple of weeks after producers come in the door, provided they come in that first week.

Senator BURNS. It is going to be that quick?

Mr. COLLINS. Yes, sir.

Senator BURNS. Those are the questions I had. I have got some questions here that I would like to just relate to you if that is all right, in some areas. There is a couple of areas that I do not know what I am talking about. There are more than that, really, but two that I have identified this morning.

But they are programs that are ongoing. I will convey my questions to the people here and we will try and get that ironed out and get some answers because they are parochial and I know there are other folks here that are going to talk about overall budgets and programs. So I think we should move on to that.

I thank the chairman.

Senator BENNETT. Thank you very much.

HEALTHY FORESTS AND FOREST STEWARDSHIP

Senator BURNS. The fire situation, I will tell you, right now we are looking at a pretty normal year. We are getting rain in Montana. You guys have got to hold your mouth right. But you have to hold it right for 5 years. It is tough to do.

Right now, we are getting moisture in Montana and it is pretty good moisture. The old prairie is trying to green up a little bit.

We would hope, in all your planning, but that does not mean that there are not other areas out there that is a high risk.

As far as your USDA, the Forest Service is concerned, we sure need that money budgeted for Healthy Forest and forest stewardship, because what we are finding is you can have more moisture that we normally had in our forest, but they need thinning. The growth that is in these areas are just taking that moisture and

they are just sucking it out. So it takes more snow and more rainfall to sustain us through the season.

So I am particularly interested in that money as it goes to forest health and to our forest stewardship programs.

They are working, by the way. Those programs are really working, and I think will have an impact on our fire season and how we manage our forest.

Senator BENNETT. Thank you very much.

We appreciate the ranking member of the full committee, Senator Byrd, being with us. And I will go out of the early bird order to recognize Senator Byrd and thank him for his participation.

Senator BYRD. How is the PA system working?

I often comment, Mr. Chairman, that our country has been able to put a man on the moon and bring him back to Earth safely, but it has never been able to perfect a public address system.

But you know, Mr. Chairman, I think there is a postscript to that, if I might add. I am having great difficulty in opening milk cartons. I follow the instructions to open on one side, and I turn it around, and it says to press on both sides. And I cannot get the darn thing to open.

So I think our country needs to work hard on producing a milk carton that works.

Senator BURNS. Senator, I suggest you get a bigger hammer.

Senator BYRD. Mr. Chairman, you are very kind to call on me. I am an ex officio member, as you pointed out, but I want to wait my turn and let the regular members have their turn. I do appreciate your kindness. Thank you.

Senator BENNETT. Thank you, sir, for your courtesy. Senator Johnson.

Senator JOHNSON. Thank you, and I thank Senator Byrd, as well, for his leadership and guidance and his courtesy here.

Congratulations to Chairman Bennett, and also thank you to Senator Kohl for your leadership on this subcommittee. It has been extraordinary and something that I have valued a great deal.

Welcome, of course, to Secretary Veneman. The Secretary and I played some telephone tag here this past week and I apologize that somehow or another I was not able to quite get things squared away that way. But the Secretary has been very accessible and willing to sit down and work through issues, and I am very appreciative of that.

Let me just, at the outset, make more of a comment than a question. And that is as we review the President's fiscal 2004 budget proposal, I have to say that there are a number of areas where I feel some concern.

PROPOSED ELIMINATION OF CERTAIN FARM BILL PROGRAMS

One is that the USDA budget would zero out a great many of our rural development initiatives that Congress included in the Farm Bill. This is a point of great concern to me.

Frankly, this zeroing out, I think, has largely to do with making room for the President's massive tax cut which largely will be borrowed in order to compensate for the cost. but also will come out of the hide of other domestic programs.

Among those I am concerned about is the elimination of $200 million from the water and sewer grants to small communities at a time when frankly, the backlog of communities at our doorstep looking for help on these water and sewer issues is just immense. These communities have virtually nowhere else to go.

PREPARED STATEMENT

Also the Value-added Development Grant Program, the Bioenergy Program, and the Renewal Energy Program all wind up zeroed out. And this is a source of great concern to me.

In my limited time, let me ask the chairman for consent to submit a full opening statement, that is more comprehensive and I want to expedite things by doing that.

Senator BENNETT. Your statement will be included in the record.

[The statement follows:]

PREPARED STATEMENT OF SENATOR TIM JOHNSON

Thank you Chairman Bennett and Senator Kohl, I join you in welcoming Secretary Veneman to discuss the President's Budget request for agriculture in fiscal year 2004. Senator Bennett, congratulations on your appointment as Chair of the Agriculture Appropriations Subcommittee, I look forward to working with you. I want to briefly outline some concerns about the U.S. Department of Agriculture's (USDA) budget proposal for fiscal year 2004, then, discuss issues such as implementation of the farm bill and disaster aid.

I am concerned that in order to accommodate the President's proposed $726 billion tax cut, the Administration has made significant cuts to critical programs that benefit farmers, ranchers, and all American citizens.

Of greatest concern, the proposed USDA budget would zero-out many rural development initiatives that Congress included in the farm bill. Overall, the Administration is seeking $1.4 billion less for rural development programs than 1 year ago. The cuts would result in the following problems:

—$200 million would be eliminated from water and sewer grants to small communities. These towns have nowhere else to go, and the cuts will leave them with inadequate or no water and sewer service;

—The Value-Added Development Grants program would be totally eliminated;

—$50 million would be cut from the very successful Bio-Energy Program which pays new and existing renewable fuel refineries for purchasing corn, soybeans, and other biomass for renewable fuel production;

—Funding would be prohibited under the new Renewable Energy program in the farm bill.

Combining the cuts to the value-added program and the new energy title in the farm bill, the Administration is suggesting that renewable fuel production and other value-added agriculture development just aren't very important when the exact opposite is true. Finally, I am concerned that conservation programs would be reduced and a Rural Firefighters grant program would be eliminated.

Once again, I am disappointed by these cuts and by the Administration's priority for a $726 billion tax cut that would not serve the interests of South Dakota and rural America, and I desire to help restore some of the severe cuts made by this budget proposal.

I want to congratulate Secretary Veneman and her fine staff, however, for a job well-done in implementing the new farm bill. I am particularly proud the Farm Service Agency staff in South Dakota virtually led the nation in farm bill sign-ups relative to updating producer information for bases and yields. As the June 2nd deadline for participation in the 2002 and 2003 direct and counter-cyclical program nears, and a new CRP sign-up begins, I anticipate producer concerns will arise and I encourage you to keep a watchful eye for these implementation issues.

I am disappointed with the lack of seriousness the Administration has taken with respect to the ongoing drought and its effect on producers across the country. Suggesting the President will veto a $6 billion disaster package while at the same time pushing for billions of dollars in tax cuts for the very wealthy is irresponsible policy and sends the wrong message to hard working farmers and ranchers.

The $3.1 billion of disaster relief included in the fiscal year 2003 omnibus appropriations bill, shortchanged nearly every producer who has suffered substantial

losses from the drought. Livestock producers in South Dakota, who received a minimal assistance in 2002, can expect little if any further assistance as they enter into the third year of severe drought. It is simply unrealistic to expect producers to recover from the losses they have endured without any real, comprehensive assistance.

On February 20, 2003, the President signed the Agricultural Assistance Act of 2003 into law. Yet, producers have received no indication from USDA when the $250 million for the Livestock Assistance Program (LAP) will be made available to them. It is my hope that at the conclusion of today's hearing, I will have a commitment from you to release the $250 million for LAP in the very immediate future.

Further, I'm troubled by the new feed assistance program you announced on April 8th, 2003 that excludes over three-fourths of the counties in South Dakota at the same time the drought continues and feed supplies have been nearly depleted. While it is true many parts of South Dakota have received timely rains in the last 2 months, it doesn't make up for a serious lack of meaningful precipitation in the last 2 years. These producers may need additional help to cope with the drought.

Finally, I want to comment on USDA's role to implement the mandatory country-of-origin labeling (COL) provision for meat, produce, fish, and peanuts contained in the farm bill. Madam Secretary, the livestock producers I represent believe passage of COL may be the most important law enacted since the adoption of the Packers and Stockyards Act of 1921 they want it to work.

Nevertheless, the Bush Administration and USDA have made it clear that you oppose the mandatory COL law that I and others successfully attached to the farm bill. I am very disappointed about the signals that USDA and others have been sending regarding COL. Recent testimony from USDA Undersecretary Hawks says, "the new labeling requirements will not have a positive effect overall and the potential impact on trade and the unintended consequences on producers could be significant." USDA issued cost estimates that were excessively high and have since been refuted. Documents from USDA indicate that you only consulted with three persons outside USDA to make the overblown cost estimates, and those persons were lobbyists for organizations that oppose labeling. Recently, you sent me a letter indicating it was not just three, but rather twenty-nine organizations that USDA consulted concerning COL costs I would like to know the twenty-nine groups to identify how many of them were consumer and/or producer groups supporting COL.

The negative statements about COL from the Administration cause me great concern with regard to the credibility and the agenda of USDA in the implementation process. I had a substantial part in writing the COL provision of the farm bill. We intend for consumers to be informed about where food comes from and for USDA to use existing programs to implement the program (i.e. USDA quality grading system, school lunch program, Certified Angus Beef program, current voluntary program for the California producer using a "Born and Raised in the USA" label, and HACCP among others).

None of those programs requires third party verification. Yet, in your voluntary guidelines for voluntary COL, USDA suggests that self verification is not sufficient, implying that an expensive third party verification system is required. I did not intend that result, there is no language in the law to support that interpretation, and none of the existing programs set forth as examples for your agency require it. I encourage USDA to re-examine the logic behind negating self-certification, I also hope USDA will analyze how to reduce costs of COL by tracking only imports of livestock.

Further, USDA has never recognized or studied the benefits of COL. However, a study by five university law professors and economists was released yesterday by the University of Florida saying that the benefits for selling beef alone were almost $6 billion because consumers are willing to pay for labeling because they desire it so strongly. $6 billion for beef alone! That does not include the consumer willingness to pay for labeling of pork, lamb, fruits, nuts, fish or vegetables.

The report also indicates USDA's suggestion that COL will cost $2 billion is overblown and based upon errors in legal and economic assumptions. The University of Florida report estimates the cost of COL is more likely in a range between $70 million and $200 million, depending upon the implementation system employed. The economists writing the report believe USDA can implement COL at a cost of less than one cent per pound of food covered by the law. That is very inexpensive. Importantly, the report indicates consumers are willing to pay a premium for beef with a COL. That does not mean I believe COL will increase the cost of beef I am not sure it will.

The food industry currently keeps voluminous records on each and every unit of product in their supply chains. COL should not require an expensive new record keeping system for those involved in the process. The law professors and economists

in the Florida study also said that the most inexpensive means of implementing the labeling law was to recognize the on-the-ground fact that the vast majority of U.S. product is produced and processed in the United States and that the USDA should presume that all product comes from the United States while tracking existing marks of origin that are already on virtually all relevant food products coming in to the country.

I want to believe you will carry out the law as intended by Congress and that it is done so as to minimize cost, record keeping requirements, and other regulatory burdens. I have directed my office to work in good-faith with your staff and USDA to ensure the COL law is implemented in a common sense fashion. I have confidence in the staff at the Agricultural Marketing Service that they will write a reasonable final rule upon which to base COL implementation.

Thank you for holding the twelve COL listening sessions across the country and I appreciate the time that USDA will need to put into this law to make it work. I encourage USDA to review this thorough cost-benefit analysis from the University of Florida and use it as you develop the final rule to implement COL. I hope that USDA will be able to focus on the benefits of labeling, the fact that nearly thirty major trading partners already have COL, the fact that the United States has not issued a WTO challenge against another country's COL law, and that every major consumer and agriculture group in the United States supports COL.

Madam Secretary, I appreciate you taking the time to appear before this subcommittee. You have been quoted describing USDA's budget for fiscal year 2004 as "constrained," and I look forward to working together to reconstruct some of the important initiatives reduced or cut by the budget.

Mr. Chairman, thank you, I conclude my remarks and look forward to asking Secretary Veneman questions.

COUNTRY OF ORIGIN LABELING

Senator JOHNSON. Let me focus on one issue that is, I guess tangentially involved with the budget, at least, but a matter of great concern to me. And that, Madame Secretary, as you know there is a widely held and growing view across much of America that the Department of Agriculture is teaming up with the packers to sandbag country of origin labeling for meat. There is a sense among many of my producers that USDA is consciously seeking out ways to complicate such a program and to cause it to be far more expensive than need be.

Now whether those views are legitimate or not, they are widely held. I appreciate the listening sessions that USDA has been having, and I know that people with greatly diverse views have shared their views with you. And I think those listening sessions no doubt will be of some value.

But it seems to me that a workable efficient country of origin labeling program for meat, and obviously the law applies to fruits and vegetables as well, is not rocket science. Many other countries already do this. It has been pointed out to me that under Article 9 of GATT, live cattle entering the United States can be marked as to the country of origin so long as the mark does not discriminate against, materially reduce the value of, or unreasonably increase the cost of the imported item.

Indeed, last year the United States imported 800,000 calves from Mexico and most of these calves were branded with an M to differentiate them from domestic cattle. The practice is in compliance with Article 9.

Several organizations have made a very compelling case to me that one way to reduce the implementation and tracking costs associated with country of origin is to have USDA require markings similar to what already is done with imports of Mexican cattle on

all imported livestock. The rationale is that tracking these markings on imports will reduce overall cost for implementation.

I believe the costs associated with tracking only imported animals for country of origin implementation is a common sense approach to pursue, which is permissible under the law, and which would reduce implementation costs because imported livestock are already marked as such.

The law that we passed forbids third party verification. And as you know, there are mailings going out as we speak from some of the packers raising questions and fears among livestock producers that what USDA is going to do is to require expensive recordkeeping and alternative methods which would, in effect, destroy the credibility of the entire program.

And so my question to you is to what extent has USDA analyzed Article 9 to determine how to implement country of origin labeling? Does it have a position on using this as a rational to track only imported animals? And do you agree that virtually all imported covered commodities are currently marked as to country of origin, and that such marks are specifically allowed under GATT and WTO?

In general terms, the United States only imports around 2 million head of live cattle but slaughters 28 million head. Obviously, obviously of most of the cattle we slaughter are of U.S. origin. It does it not make sense to the USDA that tracking the 2 million imported cattle would be less costly than keeping track of 28 million that are born and raised in the United States?

Secretary VENEMAN. Mr. Johnson, I appreciate your question because, as you indicate, this has been a very controversial provision in the Farm Bill, one that was controversial as it was discussed in the context of the Farm Bill, and one that the Administration did not support. But as it was passed in the Farm Bill, we have worked to implement what the law has required.

We announced the voluntary program last fall, as was provided in the law. That voluntary program then became the framework from which we have begun to discuss a proposed rule for the mandatory program that the law requires us to implement by 2004.

There is a lot of controversy surrounding this provision, particularly as you point out with regard to livestock, because the law does require that livestock be born and raised in the United States, and the retailers and the packers, to some extent, are concerned about how do they ensure that. So, we decided, as you mentioned, to have these listening sessions around the country. And I think, by all accounts, they have been very helpful in helping to identify some of the issues that have come up with trying to implement a Country of Origin Labeling program that will be workable for the long-term.

As we pointed out, this is not an easy program to implement. We pointed that out in our Statement of Administrative Action. We certainly want to get all of the information from these listening sessions and from the comments that we received on the voluntary rule, before we put forward the proposed rule.

But as we move forward, this program is something that has been difficult to implement and is of increasing concern to many of the producer groups. As I go around the country, I am hearing more and more from the meat producers themselves. They indicate

that they would like to see this remain as a voluntary program. But, we cannot do that without a Congressional change.

Senator JOHNSON. The reason you are hearing that is because they are scared to death of extraordinarily bureaucratic, red-tape filled, expensive recordkeeping requirements that the packers are telling them USDA is going to require. And so that is, I think, the resistance you are finding from the producers. I think they support the concept of country of origin labeling, that our consumers deserve to know the origins of the products they feed their families. But what they are worried about is this threat that USDA and the packers are going to team up on them and create a monumental red tape problem and recordkeeping problem.

What we need from you is assurances that you are not only going to implement this program, but that you are going to seek out ways which will minimize the cost and minimize the recordkeeping. One of the suggestions is to follow the model that we already do on imported livestock. But there may be some other things that you can do, as well. I think that is the thrust of what I hear from livestock producers around the country.

Secretary VENEMAN. We are doing everything we can within the law. The problem is that the law is very specific on country of origin labeling, in terms of what USDA can and cannot do. I have discussed this extensively with our legal counsel and I am told that the way we are looking at this and implementing it is in accordance with what the law requires.

Senator JOHNSON. And I would only conclude that among the things the law requires is that there not be third party verification requirements for every animal in the country.

Secretary VENEMAN. I understand that.

Senator JOHNSON. And that self-verification is indeed what we do in many other labeling circumstances, whether it is school lunch programs and all kinds of other things, Black Angus, you name it. There is nothing new about this. And that self-verification or some variation on that is indeed one of the opportunities that USDA has, would be within the law, in fact is required by the law.

So I thank you for sharing your thoughts with me on this and I know that there are other members here who want to go on.

If I may, I have a number of other questions on this and some other issues. And if you would be so kind, I would submit those to the Department in writing for your response.

Secretary VENEMAN. We would be happy to work with you on that.

Senator JOHNSON. Thank you very much, Madame Secretary.

Senator BENNETT. Senator Cochran, who is responsible for my being here. Happy to hear from you, sir.

Senator COCHRAN. Mr. Chairman, thank you very much.

Madame Secretary, welcome to the committee. We appreciate your presence but more especially your good assistance in the efforts to implement the Farm Bill and to assist us as we work to reauthorize the child nutrition programs.

FSA STAFFING LEVEL

One specific responsibility that we have is getting the Farm Service agencies staffed and carrying out their responsibilities to

conduct the signups. I wonder if you could give us a report on the status of that and whether or not this budget contains sufficient funding to staff these offices and give them the equipment and the other things they need to carry out the intent of the Congress as reflected in the Farm Bill?

Secretary VENEMAN. Senator, I appreciate the question and I appreciate your compliments on the Farm Bill implementation. I must say that our team has worked extraordinarily hard on implementing the Farm Bill with Keith Collins and Scott Steele and Hunt Shipman, before you stole him away. And we appreciate the working relationship that we have with your Committee on the work that we are doing on the reauthorization of the Child Nutrition Programs.

When the Farm Bill was passed, the Department asked for, I believe, $110 million in implementation money. We received just over $50 million. Additional money was provided in the 2003 appropriation, which gives us the ability to hire some additional staff.

But I have to say, we have done extraordinarily well under the circumstances with the staff we have. We have got over 90 percent of the signup completed. It is nearly complete. We are in the middle of the CRP signup in addition to the disaster assistance program and so forth.

The other things that we are trying to do is to incorporate more and more new technologies that will allow us to better serve our farmers and ranchers with online forms that are understandable and usable, and access to all of the maps. We are trying to get all of the maps, both for the Farm Service Agency and NRCS digitized and onto the computer, which, we believe, will make it much easier for both the delivery of programs as well as the utilization of them by farmers.

So as we move forward, I think it is important to recognize what an extraordinary job our Farm Service Agency people and, our NRCS people have done, as we have implemented this Farm Bill. And we will continue to work to make sure that we have the tools necessary to carry out these programs.

But we do believe that we have budgeted for an appropriate number of additional staff as we go forward because once we get beyond the initial signups, obviously the workload will change.

FOOD SAFETY TRAINING INITIATIVE

Senator COCHRAN. One of your other high priorities is food safety. You have taken steps to improve the food safety system. In your statement you suggest that inspectors are the backbone of our food safety system. Could you tell us about your training initiative and how this will improve the food inspection system?

Secretary VENEMAN. We feel very strongly that we need to continually find ways to enhance our training for our food safety inspectors. In the mid-1990s, the Department implemented HACCP. We want to make sure that we have the best possible training under this relatively new methodology. We are conducting food safety inspections to make sure that training is up to date and appropriate for our inspectors and that they fully understand how to inspect for and implement HACCP. So we have asked for additional money in our budget for food safety training.

I might add that this has been something that has been strongly supported by the industry groups, the processors themselves, consumer groups, as well as our Department. We want to work together to enhance the training programs that are available to our inspectors and we are working hard in FSIS to do that.

Senator COCHRAN. We noticed that a recent report from the National Academy of Sciences entitled Scientific Criteria to Ensure Safe Food concluded that the HACCP inspection system's progress in reducing food-borne illness is, and I quote, "decidedly favorable."

Do you agree with the findings in this report?

Secretary VENEMAN. We agree with much of what was in that report and there are things that we do not agree with. We are going to have a more formal response to the report. But there are findings that we certainly do agree with.

There were some questions in that report about whether or not we had legislative authority to enforce performance standards. We continue to use performance standards in our plants, and in our HACCP reviews. We are also using them to evaluate issues in plants to determine whether or not we need to do further inspections.

So that report does have a lot of very good information but we have not had a formal response to it as yet.

Senator COCHRAN. Mr. Chairman, thank you very much for your recognition.

Senator BENNETT. Thank you, and thank you for giving me this opportunity when you moved from this committee to the Homeland Security Committee.

We should take note, as the first hearing without Senator Cochran, of his service as both chairman and ranking member of this subcommittee for a number of years.

Senator Harkin.

Senator HARKIN. Thank you very much, Mr. Chairman. Madame Secretary, welcome again.

CONSERVATION SECURITY PROGRAM

I would like to, if I might in my limited time, I have two or three items. I hope to get through them in this round, if not maybe another round. But the most important thing I would like to discuss with you is the Conservation Security Program that was included in the 2002 Farm Bill.

As I have said before, this program is consistent with the goals that were spelled out in your farm policy book. When the President signed the Farm Bill into law, he specifically pointed to conservation as one of the major provisions of the Farm Bill.

There is strong nationwide interest in making sure that CSP is implemented soon and correctly. Congress set funding for CSP at $3.773 billion in the Omnibus Bill, not at the $2 billion level included in the President's budget. So there is no basis anywhere for the $2 billion in any law ever passed by Congress.

So I am asking if you can commit that the Department will move ahead and issue regulations based on delivering the full $3.773 billion to producers that was in the Omnibus Bill? Will that form the basis of your regulations? That figure, rather than $2 billion?

Secretary VENEMAN. Currently, we are looking at the 4,500 comments that we received in response to the Advanced Noticed of Proposed Rulemaking in the formulation of this program. This has been an extraordinarily complicated program to implement with a number of questions that need to be answered.

One of the things you said is that we want to make sure that we do it correctly. We are absolutely in agreement that we want to do this program right because there was a lot of questions that we needed to have answered, so we went out with this request for comments. It is an extraordinary number of comments that we have gotten in.

The $3.773 billion that was included in the fiscal year 2003 budget, I believe, is a number that authorizes up to that amount in terms of expenditures for this program. The President's budget does include a $2 billion figure for 2004 and that number, of course, was proposed before the 2003 budget was enacted. We had an unusual situation this year, in that we developed the fiscal year 2004 budget without a 2003 appropriation.

I cannot commit to a number today, but I do recognize that the 2003 Omnibus does allow the program to spend up to $3.773 billion. It does not mandate, as I understand it, the spending $3.773 billion.

Senator HARKIN. Let me try it again.

I understand what you are saying about the budget came up before the Omnibus. I understand that. I am just saying that the law that we passed, signed by the President, allows funding for CSP at the $3.773 billion level.

All I am asking, and I am going to get into the rules here in a little bit and the Advance Notice of Proposed Regulations. I am just asking that in your implementation, as we move ahead this year, because I hope we are going to be signing up people this year, will it be based upon the full $3.773 billion? Or will it be based on $2 billion or something else? What will it be based on?

Secretary VENEMAN. We are still working on the regulations and what they will ultimately be. But what we want these regulations to do is to be based on principle, not a level of funding. We want to get the principle and the program right.

It is going to be very difficult to develop a regulation that promises to spend an exact amount of money. We want to get the principles right so that they comply with the level of funding authorized for the program.

Senator HARKIN. Principles. Do you agree, Madame Secretary, that the principle that we are operating under for the Conservation Security Program, the principle is written in statute? That statute is the Farm Bill. And, as written, as a statute, it is a mandatory open-ended program. Do you agree with that? As written in statute.

Secretary VENEMAN. It is a complicated budget issue because there are certain budget scores that have been attached to it. So it has certainly been limited by what the Congress has specifically passed.

Senator HARKIN. I agree that there is a cap of $3.773 billion. But the statute provides it as a mandatory open-ended program. It is just that the Omnibus Bill put a cap on it. I am talking about prin-

ciples now. The principle that we are operating under is an open-ended mandatory program. Is that right or not? That should be very straightforward.

Secretary VENEMAN. As far as I understand it, that is correct.

Senator HARKIN. Thank you.

So that, again, if farmers do the work, the conservation work, to earn up to the $3.773 billion, then they should not be denied access to that money. That is how the law is written. At least that is how the law is written with the cap that we put on it. Now I am working to get the cap removed, as you know. But I am just talking about what you have to deal with right now.

Secretary VENEMAN. I would agree that the fiscal year 2003 law allows us to implement the program and use up to $3.773 billion.

Senator HARKIN. Thank you.

I understand that you have got 700 letters that had up to 4,500 comments, but a lot of these comments were involved in the letters. And I understand that you did get a big response.

And again, I do want to say that in February I met with Secretary Moseley and Mr. Collins, Ms. Waters, and Mr. Knight. We had a very good meeting on this in the Capitol. I understand full well the problems of moving ahead with this. It is a new program. I was more than willing to overlook the fact that the Farm Bill stipulated 270 days for final rules. I understand that. Fine, we move on beyond that.

But what I want to ask now is you had 700 letters that came in. A lot of those came in early, so you have had at least a month or so to look at them. I am not certain that there is 700 different points of view. There are just 700 letters came in.

I think perhaps a lot of them have the same points of view on it. This does not mean you have to look at all the different ones.

I know that you have been working on this, but I want to know when can we expect that we are going to have the final rules promulgated? And will USDA meet its goal of having sign up this year, this fiscal year?

Secretary VENEMAN. We are doing everything we can to get these comments reviewed in order to put in place a proposed rule. We believe it is important to issue a proposed rule because of the complexity of this. As you know, there are a number of review processes that occur with these rules and we, in the Department, have worked very hard to get our Farm Bill rules out as quickly as possible. It also depends on external forces like how quickly things get through OMB, as well.

I believe that when the USDA representatives met with you, they did present you with a time line. We are still working under the time line that was presented to you.

Senator HARKIN. Correct me if I am wrong, Jim, but I think the time line was to try to get the final rule sometime towards the end of the summer so that we can have sign up before the end of the fiscal year.

Mr. MOSELEY. Yes, that is correct. When we met that was the discussion we had. And that would still be a reasonable time frame.

As the Secretary pointed out, though, when you get involved in these things, you find out there are more hoops to jump through

than you anticipated. If we could control everything, that would be reasonable. But, we cannot control everything. So we are moving along and trying to process this is quickly as we can.

As I stated to you that day, there is no, absolutely no intent on the part of USDA to slow down the adoption of CSP. We think, in principle, it has some things that farmers want. And so we are moving forward as quickly as we can.

At the same time, as the Secretary has pointed out, and you and I have discussed, this is a very complicated piece of legislation. There are a lot of views and opinions out there and I hear them all the time from farmers when I travel.

Trying to bring all of that information together and to say that this is the best way to proceed is not a simple process.

As I pointed out to you that day, the most important thing is to get it right. We would like to get it right soon and quick. But those two things, quick and right, may not necessarily be compatible.

I think the important thing and the message that I would share is that there is no intent on the part of USDA to slow this down at all. We are trying to keep this on track and get this out.

Senator HARKIN. As I said once before, I think, to the Secretary, I am not aiming at you. I am talking to you but I think the aim may be at something called OMB. I have detected that the Department is interested in this. You are moving ahead, but my senses pick up that there is some hanky-panky going on at OMB that are really, Mr. Chairman, trying to misinterpret the law as we wrote the statute. I do not think it is at the department level but I think it is at OMB.

So I might be pointing the questions at you but really I think my remarks are probably more applicable to OMB.

Thank you very much. Again, I appreciate your working with us. Senator Smith and I wrote you a letter, and I hope you will look at that because we took a lot of care and time in looking at how we had envisioned this program and how we brought it through the Farm Bill. So I hope you will take look at those.

Mr. MOSELEY. We will do that.

Senator HARKIN. Thank you. Thank you, Mr. Chairman.

Senator BENNETT. We have been joined by the chairman of the full committee. Senator Stevens, we appreciate your participation.

CONSERVATION SECURITY PROGRAM

Senator STEVENS. Thank you very much.

I am glad I came in during that discussion because, Madame Secretary, I do want to have a discussion with the Senator from Iowa and you about what the Senator from Iowa just said.

I do not envision the program he mentioned to be an entitlement that is unlimited. We did put a cap on it. As a matter of fact, I think we ought to have a review of that program. I know of no other program in the country where a landowner can make what he or she considers to be conservation improvements and automatically get totally repaid for the cost of those improvements without any limitation, without any kind of restriction at all.

I am opposed to entitlements in appropriations bills. I am opposed to the concept that we can have, named through the appro-

priations process, a type of program that we do not have the right to control or limit.

I want to put some limits on that and I want to know who is getting that money. Are people that have 10,000 acres getting it? Or is it a 160 acre limitation? What is it?

I think it needs some better definition. And it certainly does not amount to what the Senator from Iowa said, to a program where everybody is entitled to money without regard to the amount of money we put up. You have a limit, and I want to see that limited.

We are facing considerable opposition to a lot of the moneys which we should be appropriating for conservation programs in other areas. And to have an agricultural entitlement in an appropriations bill, I think, is wrong.

I would just make that statement. I am not here to have a debate. But I do want to go it in the future.

I am sure Senator Byrd is doing what I am doing. We have got several appropriation subcommittees meeting this morning and I would ask that the questions I do not have time to ask be submitted to the Secretary for a response.

Senator BENNETT. Without objection.

SALMON PRICES

Senator STEVENS. But I have two specific issues. One is very close to the heart of all of the people in the North Pacific. We have a problem with regard to salmon prices, primarily because of the enormous amount of imports now that are coming in from Chile and from other countries.

The questions I am filing are about the programs we have instituted, organic seafood and country of origin labeling. I would be happy to have your response to those.

But right now there is a half million cases of canned salmon in warehouses in Seattle. They are not owned by my constituents. They are owned by the people in Seattle. But the fact that they are there is an overhang on the market so that the prices for salmon this year are really endangered.

We specifically included language, at the request of the Senators from Washington and myself, to give the Department the authority to purchase surplus salmon products.

I was recently informed that your Department people have told us that there were not funds for those purchases. We thought there was money for purchase of surplus foods. This is the first time salmon has been included in that category. But you have enormous amounts of money to purchase surplus foods. Why can't you use that for the purchase of this salmon and make it available under the food program?

Secretary VENEMAN. Senator, we do have money for purchases of surplus foods. We have been purchasing surplus foods just in the last few weeks. And we do have salmon under active consideration, as I understand it.

Senator STEVENS. This is about the best buy in the country. Canned salmon is probably the most beneficial food that a woman can eat because when salmon is canned, the bones are calcified and it is the highest level of natural calcium in the world, in any food.

But as a practical matter, until that salmon is taken off the shelf, they are not going to buy any salmon this year. And it is a result of the recession and the economic conditions. But I would urge you to use your authority to remove that impediment to the purchase of salmon this year. If those cases stay there, there will not be any salmon canned this year. I would just make that request.

DISTANCE LEARNING GRANTS

Secondly, our committee included $15 million for a distant learning account to help rural public television stations meet the Federally mandated deadline, which is this month, to convert from analog to digital broadcasting. The exact language is $15 million in grants for public broadcasting systems to meet that goal of digital conversion.

Now, the House specifically agreed to that in conference. But I am now told that your staff has advised us that the Congressional intent is not clear. I do not know how much clearer we can have it. It is a very short statement.

It was the Senate committee who vote that provision and those grants are to public broadcasting stations to allow them to install the digital translators that are necessary to send digital broadcast signals to rural America. They have a deadline of this month. There are over 100 translators in Alaska alone. The money is not solely for Alaska, but it is for the country.

We hope we will get additional money in 2004. What this means is that some of the broadcasting systems will no longer get public funds if they do not meet the requirement of being able to specifically deliver the digital signal along with the analog.

We hope that they will all become digital soon but those that remain that have some analog capability must show that they have digital capability to continue to get assistance from the public broadcasting system. This money was to your department to help rural public television stations.

Could you tell me why you cannot proceed?

Secretary VENEMAN. Mr. Chairman, I will look into this issue for you. As I understand it, there may be some argument with the lawyers here. And I will commit to you to look into this and get back to you as quickly as possible.

Let me say this, though. We have been strong proponents of using our rural development programs and expanding them for technology advances for rural America. We think that is important. If rural America is going to compete in the 21st century, they cannot be left behind with regard to the technology infrastructure.

So I agree with you that these kinds of issues are very important as we move forward.

I will commit to you that we will get back to you as quickly as possible on what the potential issues may be with regard to this $15 million. But I do understand your sense of urgency and we will work on this immediately.

Senator STEVENS. Just to make sure what happened, we started out with the $15 million. The House did not have that. But in the conference we had $42.813 million for distance learning and tele-

medicine grants and grants to broadcast digital signal for conversion.

So the $15 million does not stand there all alone but is part of the larger sum. And we specifically, in the law, said it was for the digital signal conversion.

I hope that you will look at it and I hope you will recognize the deadline these people are under, which is the end of this month.

Secretary VENEMAN. I understand your concern and we will look at it immediately.

Senator STEVENS. I am sorry to come in so quickly and get out, but thank you very much. Mr. Chairman, I thank the committee for its courtesy.

Senator BENNETT. Thank you. Senator Byrd.

Senator BYRD. Thank you, Mr. Chairman.

I also want to thank my colleague, Senator Stevens, the chairman of the full committee, for his contribution today.

By the way, his charming daughter Lilly is going to receive a bachelor's degree in history from the University of Stanford within a short time. I know how proud Senator Stevens is of this fine young woman, and he has every reason to be. She is, likewise, so proud of him. He is the idol of her eye.

HUMANE SLAUGHTER INSPECTORS

Two years ago The Washington Post detailed the inhumane treatment of livestock in our Nation's slaughterhouses. The Humane Methods Slaughter Act of 1978 stipulates that cattle and hogs are to be stunned prior to their slaughter, rendering them senseless to the pain.

However, as the article revealed, many slaughterhouses do not abide by the humane practices outlined in the Federal law. Thus, unimaginable pain is forced upon these defenseless animals. They cannot speak. They cannot tell us to be merciful.

In the fiscal year 2003 Omnibus Appropriations Bill, $5 million was secured for the hiring of at least 50 new humane slaughter inspectors within the Food Safety Inspection Service at the USDA. The report language in that bill instructed these new inspectors to work solely on the enforcement of the Humane Slaughter Act.

Prior to the $1.25 million that I added to the fiscal year 2001 Supplemental Appropriations Bill for the hiring of 17 District Veterinary Medical Specialists at the Food Safety Inspection Service, there was not a single USDA inspector employed exclusively for the purpose of enforcing the Humane Slaughter Act. Not one.

In the book of Proverbs, it is written that a righteous man regardeth the life of his beast. We are stewards of God's creatures and, as stewards, we are called to treat all animals with kindness, empathy, and a merciful spirit. At least, our domesticated animals.

Despite the laws on the books, chronically weak enforcement and intense pressure to speed up slaughterhouse assembly lines reportedly have resulted in animals being skinned, dismembered, and boiled while they are still alive and conscious.

Due to the late date on which the fiscal year 2003 Omnibus Appropriations Bill was signed into law, language in the bill permitted the funding for inspectors to be used into fiscal year 2004. What is the intention, Madam Secretary, of the USDA with ref-

erence to the hiring of at least 50 new humane slaughter inspectors with the funds that were provided?

Secretary VENEMAN. Senator, I certainly appreciate your strong interest in this issue and share your concern for the humane slaughter of animals. As you indicated, we have, in the last couple of years, hired 17 new district veterinarians to work on these issues. I have recently talked with my staff in the Food Safety and Inspection Service about their implementation progress with regard to this $5 million and the 50 humane slaughter inspectors.

We are in the process now of defining exactly how the position descriptions would be put together and how we would proceed with hiring additional people.

I had a question from Senator Cochran earlier, about our training initiative. We have in this 2004 budget, a training initiative for our food safety inspectors. As part of that training initiative, there will be additional training on humane slaughter for the personnel that are in the plants because it is important that they are cognizant of the humane slaughter practices in the plants. So we are working on this from a number of different perspectives.

I noted also that there was an L.A. Times article on this issue just about a week or two ago talking about the progress that has been made in humane slaughter. An independent consultant said that in 1996 just 36 percent, according to her studies of the beef plants, had effectively knocked out the cattle before slaughter. Last year her statistics showed that 94 percent of the plants were doing it properly.

This is an outside study that was reported in the press, but it is something I think shows some progress in this area on an issue that I know is of great concern to you, sir.

Senator BYRD. Madam Secretary, I am astonished. You did not answer my question. Let me repeat the question.

What is the intention of the USDA with regard to hiring at least 50 new humane slaughter inspectors with the funding it has been provided? That is a straightforward question, and I would hope that we would get a straightforward answer.

Secretary VENEMAN. Sir, I thought I did answer your question.

Senator BYRD. No, you did not. With all respect, I do not want to appear to be discourteous but I listened carefully. Why don't you answer that question?

Secretary VENEMAN. As I think I said, we are in the process of working on the position descriptions to comply with implementation of this particular provision in the 2003 bill. I will be glad to get you a more complete description of how we intend to carry this out. But this was a provision that was just recently passed. Our folks are working on the details of how we intend to implement this initiative and carry forward with the hiring. We will work to brief you or your staff on the specifics or get you written information on that.

Senator BYRD. We have talked about this before. And with all due respect, I heard you say that you recently met with your staff and discussed this.

We talked about this a year ago. I think we talked about it 2 years ago. Here is what the language says in the omnibus appropriations conference report, dated February 13, 2003.

The conference agreement includes $5 million to remain available through fiscal year 2004 to hire no fewer than 50 FTEs for enforcement of the Humane Methods of Slaughter Act through full-time antemortem inspection, particular unloading, handling, stunning and killing of animals at slaughter plants.

Now how many do you have on board? How many of these inspectors do you have on board at this time?

Secretary VENEMAN. My understanding is none, sir. We are still in the process of developing these positions. Again, this has been a relatively short amount of time since this provision was implemented or signed into law but we are working to implement this provision of the 2003 Omnibus bill.

Senator BYRD. This is not something new, and the very distinguished Secretary knows that, because I added $1.25 million to the fiscal year 2001 Supplemental Appropriations Bill. At that time, there was not a single USDA inspector employed exclusively for the purpose of enforcing the Humane Slaughter Act.

I am really surprised that we have to talk about this a second time. I was very, I thought, serious in my discussion of this last year with the Secretary. How many are on board at this time?

Secretary VENEMAN. We have the 17 on board that were hired previously. As I mentioned earlier, we do have 17 district veterinarians who are overseeing the issue of humane slaughter. The issue of the 50 new additional inspectors is still, as I indicated, being reviewed in our Department to determine the position descriptions. My understanding is that these are 50 FTEs for enforcement activities but are not necessarily veterinary personnel.

Senator BYRD. That is right.

Secretary VENEMAN. And so it is a different position description than the 17 that we have previously hired. We are in the process of developing this program to effectively carry it out as specified in the conference report.

Senator BYRD. How long does it take? The suffering of these animals is going on.

Let me read this conference report just a bit further. It mentions the 17 District Veterinary Medical Specialists. It says the conferees also support the ongoing activities of the 17 District Veterinary Medical Specialists and expect that their mission be limited to HMSA enforcement.

So aside from those, the conference report includes $5 million to remain available through fiscal year 2004 to hire, no fewer than 50 FTEs for enforcement of the Humane Methods of Slaughter Act.

Do you not think that there is a responsibility to pursue the course set out by the Congress, through the workings of its two Appropriations committees in the Senate and the House, respectively, according to their instructions in the conference report that was issued in February? Do you not think that the Department has a responsibility to follow-up on this, and to do it quickly?

There is a manifest need, a great need, for these inspectors. I called attention to it last year and I have done it again today, most respectfully. I have called attention to *The Washington Post* articles.

Mr. Chairman, I ask unanimous consent to include in the record two articles here, one entitled, "An Outbreak Waiting to Happen," and the other entitled, "Big Mac's Big Voice in Meat Plants."

Senator BENNETT. Without objection, they will be included.

[The information follows:]

[From the Washington Post, April 10, 2001]

BIG MAC'S VOICE IN MEAT PLANTS

Never mind the bad old days, when slaughterhouses were dark places filled with blood and terror. As far as the world's No. 1 hamburger vendor is concerned, Happy Meals start with happy cows.

That was the message delivered in February by a coterie of McDonald's consultants to a group of 140 managers who oversee the slaughter of most of the cattle and pigs Americans will consume this year. From now on, McDonald's says, its suppliers will be judged not only on how cleanly they slaughter animals, but also on how well they manage the small details in the final minutes.

Starting with cheerful indoor lighting.

"Cows like indirect lighting," explained Temple Grandin, an animal science assistant professor at Colorado State University and McDonald's lead consultant on animal welfare. "Bright lights are a distraction."

And only indoor voices, please.

"We've got to get rid of the yelling and screaming coming out of people's mouths," Grandin scolded.

So much attention on atmosphere may seem misplaced, given that the beneficiaries are seconds away from death. But McDonald's, like much of the meat industry, is serious when it comes to convincing the public of its compassion for the cows, chickens and pigs that account for the bulk of its menu.

Bloodied in past scrapes with animal rights groups, McDonald's has been positioning itself in recent years as an ardent defender of farm animals. It announced last year it would no longer buy eggs from companies that permit the controversial practice of withholding food and water from hens to speed up egg production.

Now the company's headfirst plunge into slaughter policing is revolutionizing the way slaughterhouses do business, according to a wide range of industry experts and observers.

"In this business, you have a pre-McDonald's era and a post-McDonald's era," said Grandin, who has studied animal-handling practices for more than 20 years. "The difference is measured in light-years."

Others also have contributed to the improvement, including the American Meat Institute, which is drawing ever-larger crowds to its annual "humane-handling" seminars, such as the one in Kansas City. The AMI, working with Grandin, issued industry-wide guidelines in 1997 that spell out proper treatment of cows and pigs, from a calm and orderly delivery to the stockyards to a quick and painless end on the killing floor.

But the driving force for change is McDonald's, which decided in 1998 to conduct annual inspections at every plant that puts the beef into Big Macs. The chain's auditors observe how animals are treated at each stage of the process, keeping track of even minor problems such as excessive squealing or the overuse of cattle prods.

The members of McDonald's audit team say their job is made easier by scientific evidence that shows tangible economic benefits when animals are treated well. Meat from abused or frightened animals is often discolored and soft, and it spoils more quickly due to hormonal secretions in the final moments of life, industry experts say.

"Humane handling results in better finished products," AMI President J. Patrick Boyle said. "It also creates a safer workplace, because there's a potential for worker injuries when animals are mishandled."

Not everyone is convinced that slaughter practices have improved as much as McDonald's surveys suggest. Gail Eisnitz, investigator for the Humane Farming Association, notes that until the past few months, all McDonald's inspections were announced in advance.

"The industry's self-inspections are meaningless," Eisnitz said. "They're designed to lull Americans into a false sense of security about what goes on inside slaughterhouses."

But Jeff Rau, an animal scientist who attended the Kansas City seminar on behalf of the Humane Society of the United States, saw the increased attention to animal welfare as a hopeful step.

"The industry has recognized it has some work to do," Rau said. "The next step is to convince consumers to be aware of what is happening to their food before it gets to the table. People should understand that their food dollars can carry some weight in persuading companies to improve."

[From the Washington Post, April 9, 2001]

AN OUTBREAK WAITING TO HAPPEN

"Did your daughter eat meat that was pink or red?"

The nurse's question puzzled Connie Kriefall. In an intensive care ward a few steps from where the young mother stood, doctors were struggling to save her only daughter, a 3-year-old with sapphire eyes and a mysterious disease.

In 6 days, tiny Brianna Kriefall had gone from a healthy preschooler with a tummy ache to a deathly sick child with advanced organ failure. Her kidneys had quit. Her heart was faltering. And now a nurse was asking: Could this be E. coli?

Kriefall's mind raced back to dinner at a Sizzler restaurant the previous week. Brianna had chosen the children's buffet, she remembered. Watermelon, cantaloupe, cheese. Nothing likely to carry E. coli. "That just couldn't be possible," she said.

But the outbreak that killed Brianna and sickened more than 500 others here in July was not only possible, it was foreseeable. A series of systemic failures by government and industry all but guaranteed that potentially deadly microbes would make their way into a kitchen somewhere in America. It was simply a question of when.

For decades, the familiar purple "USDA-inspected" stamp has given Americans confidence that their meat supply is safe. But for the Kriefalls, like thousands of other families stricken by meat-borne pathogens each year, this veneer of safety proved dangerously deceptive.

Wisconsin health investigators later concluded Brianna Kriefall died from eating watermelon that Sizzler workers had inadvertently splattered with juices from tainted sirloin tips. The meat came from a Colorado slaughterhouse where beef repeatedly had been contaminated with feces, E. coli's favorite breeding ground. Federal inspectors had known of the problems at the plant and had documented them dozens of times. But ultimately they were unable to fix them.

Nearly a century after Upton Sinclair exposed the scandal of America's slaughterhouses in his novel "The Jungle," some of the nation's largest meatpacking plants still fail to meet Federal inspection guidelines to produce meat free of disease-carrying filth, an investigation by The Washington Post and Dateline NBC has found.

U.S. Department of Agriculture inspectors who patrol the nation's 6,000 meatpacking plants today are armed with more modern tools and tougher standards than ever. But the government's watchdog agency often has lacked the legal muscle and political will to address serious safety threats. It cannot impose civil fines or recall meat even when its inspectors see problems that could lead to outbreaks.

In the Milwaukee case, one of the nation's largest, most modern meatpacking plants—Excel Corp.'s Fort Morgan, Colo., facility—was cited 26 times over a 10-month period before Brianna Kriefall's death for letting feces contaminate meat, documents show. Despite new government controls on bacteria launched 3 years ago, the plant shipped out beef tainted with E. coli on at least four occasions. The last shipment delivered the pathogens that ended up in the children's buffet at the suburban Milwaukee Sizzler.

"It was like making Fords without brakes," said Michael Schwochert, a veterinarian and retired Federal inspector who worked at the Excel plant. "We used to sit around the office and say, 'They're going to have to kill someone before anything gets done."

Excel officials said they were unable to talk about the Milwaukee outbreak, citing litigation. In a statement, Excel said it uses cutting-edge technology to prevent contamination, but food must be properly cooked and handled to ensure safety. "Excel is committed to providing safe food for people," the company said.

A lawyer for the Sizzler franchise in suburban Milwaukee said the restaurant owners still did not know how the outbreak occurred, but had reached settlements with numerous sickened customers. "The owners have been devastated by this outbreak," attorney Ron Pezze Jr. said.

Criticism of the USDA's enforcement record comes as domestic E. coli outbreaks and epidemics of mad-cow and foot-and-mouth disease in Europe heighten concerns about America's meat supply. Contamination similar to that found at Excel was documented at several other plants around the country in an internal agency report a month before the Milwaukee outbreak.

The USDA's inspector general, in a sharply critical review of the agency's inspection system, said the government's safety net for consumers was being compromised by confusing policies, blurred lines of authority and a lack of options for enforcement. At some plants, regulators frequently were finding tainted beef but doing nothing because they simply "were unaware of any actions to take," the report said.

"How long does it take for a 'bad' plant to be listed as bad? We can't tell you," USDA Inspector General Roger Viadero said in an interview, "because [the USDA] has not told the inspector what's bad."

USDA officials at the Excel plant were still searching for that line last June 14 when they sent the last in a series of warnings to the plant's management. Nine days later, records show, a package of contaminated meat left the factory and ended up at the Sizzler in Milwaukee.

"It was like a ticking time bomb by the time it got to the Sizzler restaurant," said William Cannon, attorney for the Kriefall family. "And unfortunately, this ticking time bomb killed Brianna Kriefall."

A Safer System

The internal struggle over beef quality at the Excel plant would likely have never attracted public attention were it not for two headline-generating events.

The first came in August 1999 with the chance discovery—in a USDA random survey—of E. coli in Excel beef at an Indiana grocery store.

The second was the Milwaukee E. coli outbreak last summer. In one of the worst such incidents in state history, more than 500 people got sick, 62 with confirmed E. coli infections.

What happened between the two incidents starkly illustrates how problems at modern meat plants test the limits of the USDA's new inspection and meat safety system.

Located on a dry plain 80 miles northeast of Denver, the Excel factory is an imposing agglomeration of smokestacks and aircraft hangar-sized buildings covering 2 million square feet. The only outward sign that the plant produces beef is the line of trucks delivering cattle to the stockyard. That, and the ubiquitous smell—cow manure with a hint of decaying meat.

Inside, much of the butchering is done the old-fashioned way, by workers using various sorts of knives. At the front of the line is the "knocker," who uses a pistol-like device to drive a metal bolt into the steer's head—the law requires that animals be rendered insensible to pain before slaughtering. Another worker slits the animal's throat to drain the blood. Others in turn remove limbs, hide and organs.

At line speeds of more than 300 cattle per hour, things frequently go wrong. Organs tear and spill their contents. Fecal matter is smeared and splattered.

The presence of fecal matter greatly increases the risk of pathogens, which is why USDA inspectors enforce a "zero-tolerance" policy for fecal contamination on meat carcasses. Meat smeared with fecal matter is supposed to be pulled off the line and cleaned by trimming. But there is no law that requires raw meat to be free of pathogens; the exception is for ground beef. Thus, raw meat must carry a label that specifies it must be properly cooked.

In 1993, the Jack in the Box food poisonings on the West Coast killed four children and awakened Americans to E. coli 0157, a mutant bacterial strain that lurked in undercooked ground beef. Three years later, the Clinton administration officially scrapped a century-old system that relied on the eyes and noses of Federal inspectors—called "poke and sniff"—in favor of a preventative system of controls developed by the industry with federal supervision.

That system, supported by food safety experts and many consumer groups, was called the Hazard Analysis and Critical Control Point system, or HACCP (pronounced hass-ip). Under HACCP, companies create their own plans for addressing safety threats—a "hazard analysis"—and their own methods of dealing with threats—"control points." The theory is that hazards arise at many points in the production process, and steps can be taken to minimize risks from pathogens. The measures can range from lowering room temperatures to dousing meat with a chlorine rinse to kill germs.

In a nod to consumer groups, HACCP introduced mandatory testing for microbes for the first time. Plants would be subjected to testing for salmonella and a benign form of E. coli, but not the deadly E. coli 0157:H7.

Three years into HACCP implementation, the reviews are decidedly mixed. The rate for deadly E. coli illness remains steady, with 73,000 people stricken and 61 killed a year, according to the U.S. Centers for Disease Control and Prevention.

But a steady decline in disease rates for salmonella and several other pathogens since 1996 has prompted UDSA officials and many consumer groups to declare HACCP a major success.

"The nation's food supply is safer than ever," Thomas J. Billy, administrator of the Food Safety Inspection Service, said in a statement in response to questions about HACCP's performance. "Our data shows the level of harmful bacteria has been markedly reduced."

But pathogens remain a major concern. The USDA estimates that salmonella is present in 35 percent of turkeys, 11 percent of chickens and 6 percent of ground beef. Each year, food-borne pathogens cause 76 million illnesses and 5,000 deaths, according to the CDC.

According to critics, gaps in HACCP still allow too many pathogens to slip through.

The report by the USDA's inspector general last summer said meat companies were manipulating the new system to limit interference from inspectors. For example, by their placement of control points, plants can effectively dictate which parts of the process inspectors can fully monitor.

Viadero said the agency was "uncertain of its authorities" and had "reduced its oversight short of what is prudent and necessary for the protection of the consumer."

"After what I've seen," Viadero said in an interview, "if my hamburgers don't look like hockey pucks, I don't eat them."

Meat inspectors and consumer groups like HACCP's microbe-testing requirements, but some argue the new system is an "industry-honor system" that puts consumers at greater risk. Under the old system, meat with fecal matter on it was trimmed to remove pathogens. Now, inspectors say, chemical rinses can wash off visible traces of fecal matter without removing all the pathogens.

"It's the biggest disaster I've seen," said Delmer Jones, president of the National Joint Council of Food Inspection Locals, which represents most of the government's 7,600 meat inspectors. "We're vulnerable to more deaths and no one seems to care."

Last fall, two Washington watchdog groups, the Government Accountability Project and Public Citizen, released results of an unscientific poll of 451 inspectors. While a majority approved of HACCP in concept, more than three-fourths said their ability to enforce the law had declined.

One inspector scribbled these words:

"HACCP ties our hands and limits what we can do. If this is the best the government has to offer, I will instruct my family and friends to turn vegetarian."

Schwochert, formerly the night shift inspector-in-charge at Excel's Fort Morgan Plant, worked 15 years in private business before joining the USDA. He prided himself on his ability to work with industry, but he felt that HACCP made his job even tougher.

"I've never seen anything so slow to respond," he said.

"Nothing in my professional training or life gave me the tools for dealing with what was going on. It was a calamity of errors. If it weren't so serious, it would be funny."

Showdown at Excel

By the late summer and fall of 1999, Schwochert was accustomed to tussling with Excel's managers over problems ranging from filthy, urine-soaked employee washrooms to occasional findings of fecal matter on carcasses. But the skirmishes intensified dramatically on Sept. 13, after the USDA found E. coli 0157 in a package of Excel beef at the Indiana grocery store.

The discovery, part of a routine survey of grocery stores and meatpacking plants, triggered a series of reviews of the Excel plant's food-safety practices.

The measures began with 2 weeks of E. coli testing. Inspectors found E. coli—not once but twice, in the first 3 days of testing. The USDA ordered the contaminated meat seized, but it was too late. Some of the meat had been loaded onto a delivery truck.

"Not only were those samples positive, but that meat had left the plant," Schwochert said. Excel tracked down the truck and returned the meat to the plant.

USDA documents show the combination of E. coli positives and the improper shipment of the contaminated beef prompted the government to impose its harshest sanction: A district supervisor "withheld inspection" from the plant, forcing Excel to shut down for 3 days. On Sept. 28, the plant reopened under the threat of another suspension if new violations occurred.

They did, but no suspension followed. By Sept. 29, inspectors were finding so much fecal contamination on carcasses that Schwochert said he tried to close the plant again, even though he felt he lacked the authority to do so. At the last minute, the plant's top supervisor agreed to shutter the factory voluntarily for the rest of the day, Schwochert said.

Excel promised to retrain its workers and fine-tune its carcass-dressing system, although details of its plan are considered proprietary information. But more contaminated carcasses turned up 2 days later, and regularly after that, agency records show:

Oct. 1: "Fecal contamination observed . . . sample failed to meet zero-tolerance requirements."

Oct. 2: "Identifiable fecal deficiencies on two carcasses (out of 11)."

Oct. 4: "Fecal contamination splotched in an area 1 inch by 4 inches . . . carcasses retained."

Oct. 9: "Deficiencies were observed on six carcasses (out of 11)."

In company memos, Excel responded that the inspectors were focusing on "unrelated" and "isolated" incidents. But USDA district supervisors took a different view. One USDA letter called the company's explanations "incredible, frivolous and capricious." Another specifically suggested Excel was putting its customers at risk.

"In the light of recent E. coli positives, I would think that food safety and preventive dressing procedures would be of utmost importance on your corporate agenda," Dale Hansen, the FSIS's circuit supervisor in Greeley, Colo., wrote on Nov. 29 to Marsha Kreegar, Excel's regulatory affairs superintendent.

USDA's enforcement records contain no response to that letter. Excel has declined to make officials at the Fort Morgan plant available for interviews.

For 5 months, the USDA chose not to impose new sanctions, despite 14 additional citations for fecal contamination and a host of other problems. Government records also describe mice infestation, grease and rainwater leaking onto meat; unsanitary knives; equipment sullied with day-old meat and fat scraps; and carcasses being dragged across floors.

USDA inspectors asked their supervisors for guidance. How many violations before the plant is suspended again? Three? Five?

"The question was asked by myself or in my presence at least 10 times," Schwochert said, "and we never got a clear answer."

On May 23, the USDA threatened another suspension. "Recent repetitive fecal findings on product produced by your firm demonstrates that the HACCP plan at your facility is not being effectively implemented to control food safety hazards," USDA District Manager Ronald Jones wrote to Excel General Manager Mike Chabot.

Excel was given 3 days to make changes—then a 3-day extension, after Excel's initial proposals proved less than convincing.

Finally, on June 14, based on Excel's promise to improve its process, USDA withdrew its threat with an additional warning. "Your firm will be required to consistently demonstrate that your slaughter process is under control, meeting food-safety standards," the agency wrote.

On June 23, a sealed package of sirloin tips contaminated with E. coli was loaded into an Excel truck bound for Milwaukee.

A Family's Ordeal

The Sizzler restaurant on South Milwaukee's Layton Avenue was one of Brianna's favorite places, even if she could never quite remember its name. To her 3-year-old mind it was just the restaurant "up the hill."

"We used to pass it all the time, and she'd have a fit if we didn't go there," her father, Doug Kriefall, recalled.

On the night of July 17, her parents were happy to oblige. It was the end of a harried workday for a young family juggling two careers and two kids, and the lure of a quick and inexpensive night out was irresistible. As a bonus, Sizzler offered an adult menu as well as a special salad bar stocked with kids' favorites: macaroni and cheese, fresh fruit, dinosaur-shaped chicken nuggets.

Emotionally, the family was still in shock from the loss of a baby girl just 7 weeks earlier. The girl the family calls Haley was stillborn. The loss reopened old wounds: Connie Kriefall had lost six fetuses in 8 years before finally giving birth to Brianna in May 1997.

"She was my miracle baby," the mother said. "It was the best Mother's Day present any mom could ever get."

The couple's difficulty in having children made Connie Kriefall an exceptionally careful mother. She knew improperly cooked meat can carry E. coli, a microbe sometimes fatal to young children. So at Sizzler, the Kriefalls' buffet choices reflected caution: watermelon, cantaloupe, cheese, ham cubes, a meatball or two.

But on that night, the bacteria was hidden not in meat but in watermelon, an investigation concluded. A state health task force would determine that E. coli entered the restaurant in sealed packages of sirloin tips.

The USDA inspection stamp on the package read "XL Est. 86R"—the code assigned to the Fort Morgan plant. Unopened packages of Excel beef in the restaurant's cooler would test positive for the same genetic strain of E. coli 0157 found in the bodies of Brianna Kriefall and other restaurant patrons.

Once loose in the restaurant's cramped kitchen, the task force found, the bacteria easily made the jump from raw meat to raw fruit. Health officials discovered that kitchen workers had violated the restaurant's rules by preparing watermelon and meat on the same counter top. A meat grinder used to convert steak trimmings into hamburger was located inches from the same counter, close enough to splatter juices on other foods.

The recycling of salad bar items over several days eventually exposed hundreds of people to the bacteria. The first symptoms surfaced on July 14, three days before the Kriefalls' dinner. By July 24, Milwaukee health officials were tracking an epidemic. Twenty-three victims were hospitalized. The intensive care unit at Milwaukee's Children's Hospital was already jammed with sufferers before medical investigators confirmed the cause of the illness and its source.

"I knew it was bad. I just didn't know how bad," recalled Judy Fortier, a Milwaukee mother whose oldest daughter, Carly, was among the most seriously ill. For days, Carly, 8, suffered painful bouts of bloody diarrhea so severe her intravenous line was moved to the bathroom so she could nap during the brief lulls between attacks. "She would lean against me," Fortier said, "and that's how she slept."

Like many other parents, Connie Kriefall assumed her children had picked up a summer virus when both came down with stomachaches on a Wednesday evening, 2 days after their meal at Sizzler.

By Friday, Chad had recovered, but Brianna's condition had taken a frightful turn. Severely dehydrated from diarrhea, she was admitted to the hospital the next morning.

For her parents, the next 7 days unfolded with deepening horror. On Sunday, the family learned Brianna had developed a life-threatening complication. By Tuesday, doctors had begun dialysis to prop up the girl's failing kidneys. The normally bright, playful child had become nearly unresponsive, uttering only a single, mournful phrase for hours at a time.

"It was just 'Ow-wee, Mama, Ow-wee, Mama,'" Connie Kriefall recalled. "And those eyes. I'll never forget how she looked at me."

The crying would end abruptly. On Wednesday morning, Brianna was placed on a respirator after her heart briefly stopped beating. Finally, on Thursday, she suffered a catastrophic stroke and lapsed into a coma.

With all medical options exhausted, the Kriefalls decided to allow the doctors to disconnect Brianna's life support.

"Thursday night we both stayed up with her, and took turns crawling in bed with her, telling her how much we loved her and reading her stories," her mother said. "I couldn't hold her, and I wanted to hold her so bad. And her heart was racing all night—her heart rate was so high."

On Friday, just before 7 a.m., Brianna's heart stopped.

Forward

The months since the Sizzler outbreak inevitably brought investigations and lawsuits, as both victims and governments tried to parcel out blame. An early casualty was the Sizzler restaurant on Layton Avenue, which was permanently closed.

Excel lawyers have maintained in court documents that the corporation was not at fault, since it had no control over Sizzler's food-handling practices.

"Excel is continuously seeking ways to eliminate or reduce food hazards," the statement said. "For the benefits of those efforts to reach the consumer, it is essential for food preparers to follow safe handling practices."

Pezze, the lawyer for the Sizzler franchise, said he had seen the USDA documents from the Excel plant and found the reports of fecal contamination surprising. "Obviously, if suppliers and producers could nip this problem in the bud, we wouldn't need to rely purely on preparers."

Industry trade groups and the USDA also argue that it is impossible to make meat germ-free, so consumers bear responsibility for using proper preparation techniques and fully cooking their food.

It's an argument that William Cannon, the Kriefalls' attorney, finds especially galling. The Kriefalls have joined other victims in a lawsuit that names Sizzler and Excel.

"They have blamed other people for not catching their mistakes, but the blame starts with them," Cannon said of Excel. "They knew or should have known they were sending out meat that contained this bacteria. And that there was a substantial risk that somebody, somewhere, in America would end up eating this meat."

But others find more disturbing the government's ineffectiveness in responding to chronic lapses at plants such as Excel's. It's a problem nearly as old as meat inspection itself, said Carol Tucker Foreman, the assistant secretary for food and consumer services in the Carter administration.

"There is almost no notion of shutting down a plant for failing to meet standards," said Foreman, now a distinguished senior fellow at the Washington-based Food Policy Institute. "The regulations help ensure that plants stay just above the level that requires sanctions."

USDA officials are promising change. After devoting 3 years to implementing HACCP, the agency is beginning an extensive review to determine how the system can be improved.

Congressional supporters of stronger food safety protections say they will press again this year for a law giving meat inspectors more effective enforcement tools, including the power to impose civil fines and order mandatory meat recalls. But after similar legislation failed in the last three sessions, backers acknowledge their prospects are far from certain.

"The American people would be shocked," said Sen. Tom Harkin, an Iowa Democrat and sponsor of several previous bills, "to learn that the USDA does not have the fundamental authority to protect public health."

Anger and Grief

The memorial card for Brianna Kriefall is a collage of things the little girl liked best: Barney and Barbies, dancing and Dr. Seuss, the little watering can that was Brianna's delight on summer days when the flowers were in bloom. The card's verse is written in a child's words.

"Mom and Dad, don't cry that I didn't stay," it begins. "I know you'll be lonesome for me for a while, but time heals all wounds and again you will smile."

For now, though, the promise of healing seems a hollow one. At the Kriefalls' neatly kept home in middle-class South Milwaukee, every day brings searing reminders. Pictures of Brianna adorn almost every wall. The little girl's room and toys remain just as she left them. Their son Chad, now 2½, asks about his sister and sometimes loses patience with his parents' explanations. "'Nana come home—now!'" he wails.

For Connie Kriefall, just knowing that Brianna's ordeal might have been prevented fires emotions too intense for words. Like her son's, the mother's grief is tinged with an anger she suspects is beyond healing.

"They need to be aware that this has completely destroyed our lives," she says in a whisper. "Our daughter was a miracle child we waited 8 years for. And now she's gone, and we'll never get her back."

Senator BYRD. These 17 veterinary inspectors do not count toward the 50. Now, I take it from your answers to my questions that you do not have any of the 50, aside from the 17 veterinary inspectors?

Secretary VENEMAN. That is correct, sir. We have not begun the hiring process on the 50 new inspectors. But I respectfully disagree with your statement that we do not intend to carry out this provision.

Senator BYRD. I do not think that I said you did not intend it. I asked you what the intention was of your department.

Secretary VENEMAN. We are in the process of implementing this provision by putting together the specifications for the 50 FTEs. It has been a relatively short amount of time since the passage of the 2003 Omnibus Appropriation. It was not passed last September, as normally we would see these.

And so I will commit to you that I will work with our Food Safety and Inspection Service to get this implemented as quickly as we possibly can.

Senator BYRD. I appreciate what you said.

Mr. Chairman, I think we ought to write it into the bill. The language has been in the report. It is there for all to see. And reports are important. If the courts carry out the legislative intent of this bill, or that bill, or some other bill, and there is a suit, the courts

resort many times to the committee reports, as well as, to the legislative history on the Senate floor and House floor, to determine, or to construe the intent of the Legislative Branch. It is right here in plain language.

Secretary VENEMAN. I do not think, sir, that we have a dispute on the intent.

Senator BYRD. Very well.

Let us carry out that commitment, and I think that we may as well put it into the bill. If the report does not speak loudly enough, we can put it into the bill. And the Department can pursue the carrying out of the purposes of the bill. We should not have to meet a third time on this matter, and I am sorry we have had to talk about it today.

Mr. Chairman, I do not want to impose on the committee. I have one more question, if I may.

This question has to do with outsourcing.

Senator BENNETT. Senator, Senator Dorgan has not gone a first round. Could we hear from Senator Dorgan and then to your question?

Senator BYRD. Absolutely. I would like to hear from Senator Dorgan, also.

Senator DORGAN. Mr. Chairman, thank you.

I was interested in the questions Senator Byrd has been asking. Let me just ask a couple of brief questions.

FAS TRADE WITH CHINA

I would like to ask a couple of questions about trade, FAS trade with China. First of all, is the Foreign Agricultural Service at USDA a part of the Trade Policy Review Group? I believe it is. Does anybody know that?

Secretary VENEMAN. USDA is part of the Trade Policy Review Group. It is not necessarily just the Foreign Agricultural Service, but the Undersecretary's office as well.

Basically, the way that the trade interagency process works is that, at the principles level, you have the USTR and the cabinet secretaries that are involved in trade, which would include USDA. Then you have the Trade Policy Review Group and then the Trade Policy Subcommittees. Through FAS, we are thoroughly involved in that process.

Senator DORGAN. Let me tell you why I asked the question. On March 17th, a USTR official in charge of agricultural trade with China, this was the week this person left the employ of the United States. He had been in charge of agricultural trade at USTR.

He stated that the United States would be well justified in filing a WTO case in China for failing to live up to its commitments on wheat trade. The official said that the evidence of unfair trade by the Chinese was "undeniable" and that the Chinese themselves privately acknowledge that they are cheating on agricultural trade.

He then said that the Interagency Trade Policy Review Group has given USTR the green light to march forward with a WTO case against China. But this official said the administration was reluctant to do that because the Chinese might be offended. The administration was worried that a WTO case would be seen as an "in

your face" thing to do to China so soon after China joined the WTO.

Let me tell you why I believe he says that it is undeniable that the Chinese are cheating with respect to wheat trade. When we did the bilateral trade agreement with China, China agreed that it would set tariff rate quotas for imported wheat at 8.5 million metric tons. That means 8.5 million metric tons a week could enter China at very low tariffs.

According to the CRS, China's imports were less than 8 percent of that from the United States. The Chinese decided that they would issue licenses for imports, but most all of the licenses, over 90 percent, were retained by the Chinese government. Less than 10 percent were given to private interests. And for that reason we have sold very little wheat to China.

So if the Chinese government decides it does not want American wheat, then it retains these licenses in the government and does not import the wheat.

So we have a USTR official, and the USTR of course is part of the Trade Policy Review Group, saying that there ought to have been a WTO case. And what he said is there was a green light given by the Trade Policy Review Group to take action against China.

Would that have been the position of USDA, as well, as a part of the Trade Policy Review Group? Who serves on that group for USDA?

Secretary VENEMAN. It depends on the issue. That is why I say that the USDA is part of the Trade Policy Review Group, and it would depend on the issue as to who attended the meeting on behalf of USDA because we have various specialties.

I have to say, I am not familiar with those remarks of the USTR official, but we will be happy to get back to you on it.

As you know, China entered the WTO as a result of the Doha meeting in November 2001, which provides tremendous market potential for the United States, as you point out. We have had a continuing number of issues with China as they seek to implement their agreements with regard to agriculture and the WTO.

I was in China just the summer. We discussed a whole range of these issues, including the licensing arrangements, with Chinese officials and we talked about the importance of making sure that they had transparent trading systems if they are going to be credible members of the WTO.

We are continuing to press the Chinese officials very hard on a wide range of issues, including wheat. Obviously, options will be considered if we do not make progress.

INTERAGENCY TRADE POLICY REVIEW GROUP

Senator DORGAN. Madam Secretary, we have been pushing on the Chinese for years. They now have a $103 billion trade surplus with us. We agreed to a bilateral trade agreement with them. We agreed to a bilateral trade agreement with the Chinese a couple of years ago. On that basis they were able to enter the WTO.

The fact is an official in USTR, the week before he left, said publicly it is undeniable they are cheating. And he also said that the Trade Policy Review Group, a group that is made up of USDA as

one member, had given the green light to take a WTO case against China.

I had intended to try to get to you about this so that I could give you some warning. Can we find out whether that is the case? This is an administration official speaking on the record, so he is saying it is the case.

When did that happen, the Interagency Trade Policy Review Group? And if it did happen, if that group signaled somehow that they believe that a WTO case was brought against China on the issue of wheat, it seems to me there are plenty of other areas that we can use to bring actions against China. Because China—you make the point that this is a great opportunity for us. But there is no opportunity in China if China will not buy our products. There is no opportunity.

Secretary VENEMAN. That is correct, although I must say that they have become about a billion dollar soybean market for us, and that is a relatively recent development in our trade with China. They have been a very good purchaser of soybeans, although we have had some difficulties with some regulations.

Senator DORGAN. How big is that market?

Secretary VENEMAN. It is about $1 billion.

Senator DORGAN. You look at trade with China, and I will not talk about Mexico and Canada and Europe and Japan. But just look at China today. $103 billion and in virtually every single area, when you look at the promise of the bilateral 2 years ago, you find out that the promises were never kept.

The agriculture minister of China went to South China to Guang Zhou, and in the South Asian Post was quoted as saying yes, we have this 8.5 million metric tons but that does not mean we are going to buy that from the United States.

And now what we have discovered 2 years later is they are not buying wheat from us because the Chinese government does not want to, despite the fact they have this huge surplus. And if someone inside the administration, officially a Trade Policy Review Group, has decided that we should take action, officially take action and pursue a WTO case, should we not do that? And should we not do that immediately?

Secretary VENEMAN. Again, I am unfamiliar with the remarks that you are referencing. We will look into that and get back to you. I just had not seen that particular report.

Just to correct the record, we did not enter into a bilateral agreement, per se. We entered into various agreements with China as part of their accession to the WTO, as opposed to a bilateral free trade agreement.

Senator DORGAN. But we got those agreements bilaterally from China?

Secretary VENEMAN. Right. They were bilateral discussions with regard to the accession to the WTO.

However, we continue to have a number of issues, wheat being one of them, with China that we are having trade difficulties with. USTR officials were scheduled, along with USDA officials, to go to China and discuss some of these issues but unfortunately, a lot of the recent travel to China has been postponed because of the SARS issue.

But we do take these and other trade issues very seriously and we are having a number of discussions regarding trade issues, as you point out, around the world, whether it is Mexico or Canada or other countries.

China, again, has been an area that we are watching very closely because they did commit, in their WTO accession negotiations, to certain things. We want to make sure those are implemented properly. And obviously, we will work with you on this wheat issue.

Senator DORGAN. But Madam Secretary, we already know they are not implemented properly. We already know that the Chinese are cheating.

And with respect to these trade negotiators, I must say, for Democratic administrations and Republican administrations, I have seen them get on airplanes for 20 years and move off. And frankly, you can put them all in a barrel and roll it down a hill, you are always going to have a lower on top.

The fact is they cannot, within 1 week, fail to lose a trade association. They come to us with these negotiations, in this case the Chinese bilateral, and they say look what this is going to do for our country. And then 2 years later we discover we are moving backwards.

This is not your fault, but I am asking the question about the policy review group. If, in fact, we have a group now that says we ought to be taking action against China on trade from wheat purposes only, then let us do that. Let us decide to have a backbone, a spine, some stiffness of spirit here, and stand up for the wheat producers in this country.

It is more for USTR and Commerce than it is for you, Madame Secretary, but I am just asking having a vote or a membership on the Trade Policy Review Group, I hope that you go in there and start swinging, to say on behalf of American farmers, by God, we have the right to demand fair trade, whether it is with China, Japan, Europe, Canada. We have a right to demand it.

Secretary VENEMAN. I agree with you and, as I said, I will definitely look into the comments that you have attributed to this USTR official and determine, if there was some kind of decision made, what that decision was and where it has gone since then.

Senator DORGAN. Would you get back with me?

Secretary VENEMAN. I will get back to you.

[The information follows:]

USDA is part of the interagency Trade Policy Review Group (TPRG), which also includes the USTR, State, Commerce, Treasury, NSC, and several other agencies. USDA's representative's at these meetings can vary depending on the topic, but generally includes high-level representation from either the Office of the Secretary, the Office of the Under Secretary for Farm and Foreign Agricultural Services, or the Foreign Agricultural Service.

At the TPRG meeting that preceded the February high-level dialog talks, USDA expressed support, absent a timely resolution of outstanding concerns, for pursuing a WTO case against China over its overall administration of its tariff-rate quota (TRQ) system. The TPRG deferred a decision to initiate a WTO case, pending the outcome of further discussions with the Chinese to resolve the issues. Ambassador Zoellick and Ambassador Johnson raised our concerns at the highest levels during their subsequent visit to Beijing in February. A follow-up meeting, which was delayed by the SARS situation, is expected to occur in the very near future. Absent a satisfactory outcome, it is expected that the TPRG would reconvene to revisit the issue of initiating a WTO case. Wheat is one of the nine agricultural commodities covered by China's TRQ system and USDA believes that improvements in China's

TRQ system would lead to greater market access for U.S. wheat and other commodities.

Senator DORGAN. Thank you, Madam Secretary.

Senator BENNETT. We have been joined by two other members of the Subcommittee. We will go to Senator Specter, then Senator Durbin, and Senator Byrd will follow up.

Senator SPECTER. Thank you, Mr. Chairman. I regret being here so late but we had a meeting of the Judiciary Committee. I was about to compliment all my colleagues for not being members of the Judiciary Committee until I saw Senator Durbin walk in. He is a member of the Judiciary Committee. We have just been wrangling for a long time and we are going to do so for a lot longer. Senator Byrd used to be member of the Judiciary Committee.

Madam Secretary, just a couple of questions. A letter was written to you on April 8th by about a dozen Senators inquiring about the requirements of the Agriculture Marketing Agreement Act which specifies taking into consideration regional costs of feed, feed availability, and other specific economic factors. The price of Class I fluid milk has dropped precipitously. I would very much appreciate—I am not going to take the time now—if you would review that letter and respond to it.

DAIRY COMPACTS

Also when you—you were nice enough to call me in advance of the hearing and I raised the issue of dairy compacts. I would like a response for the record on the proposals to have a dairy compact. I am on the verge of introducing legislation on it. We had one for the Northeast and we tried to expand it to a number of other States including Pennsylvania. It has been represented that it would provide stability, not be a cost to the taxpayer. I would like to have your position on that in writing.

[The information follows:]

There are a number of concerns with attempting to implement a dairy compact at this time. A first concern with starting a new program is that considerable Federal support is already being provided to the dairy industry. We are now beginning to see milk production slow down and expect to see farm milk prices increase as we move through the rest of this year. The Dairy Price Support Program (DPSP) is supporting prices through the purchase of manufactured dairy products. In addition, the Dairy Export Incentive Program (DEIP) has supported substantial exports of manufactured dairy products. This fiscal year, the DPSP and DEIP will remove from the market an estimated 35 million pounds of butter, 50 million pounds of cheese and 730 million pounds of nonfat dry milk. Federal Milk Marketing Orders continue to help assure orderly marketing and equity in returns among producers. And, the Milk Income Loss Contract program will provide an estimated $2.5 billion to dairy producers in income support payments this fiscal year. We are also making substantial efforts to distribute surplus nonfat dry milk through humanitarian assistance and domestic drought assistance programs.

A second concern relates to the effects of a compact as revealed through the experience of the Northeast Compact and analysis of proposed regional compacts. The 1996 Farm Bill gave the Secretary authority to approve the Northeast Compact, a regional pricing plan intended to increase milk returns for Northeast dairy farmers, maintain local milk supplies, and reduce the decline in the number of dairy producers. Six New England states, accounting for 3 percent of U.S. milk production and 3 percent of dairy farms, implemented the Northeast Compact on July 1, 1997. Authority for the Northeast Compact expired on September 30, 2001. Compacts, such as the Northeast Compact, establish minimum prices fluid handlers must pay for milk. Our review of the economic effects of compacts shows that farm milk prices and dairy farm income increased in compact states, when the Federal order minimum price is below the compact-established price. There appears to be no evidence

that the Northeast Compact reduced the decline in the number of small and medium-sized dairies in New England. Milk production increases above what it would otherwise be in compact states as dairy farmers react to higher prices by expanding their dairy herds and increasing feeding rates both of which lead to higher milk production.

The Northeast Compact experience provides strong evidence that handlers of fluid milk pass along the higher prices imposed by a compact to consumers. Immediately following implementation of the Northeast Compact, the retail price of fluid milk increased by about $0.20 per gallon in New England, while retail prices fell nationally. Higher retail prices for fluid milk cause consumers to reduce fluid milk consumption in a compact region. Farm milk prices and income decline outside of compact states because higher milk production and lower fluid milk consumption in the compact states results in more milk available for processing into manufactured dairy products, leading to lower prices for milk and manufactured dairy products in non-compact states. This is the reason producers in the Upper Midwest opposed the Northeast Compact. The Northeast Compact regulations required reimbursement of WIC state agencies for increased program costs, and the Northeast Compact adopted provisions to reimburse schools for increases in the cost of fluid milk caused by regulation. Other low-income households, however, were not compensated for higher fluid milk prices resulting from the Northeast Compact.

The administration does not have a position on any future legislative efforts to establish dairy compacts at this time. However, there are numerous programs already in operation to support dairy farmers and the Administration is concerned that compacts stimulate milk production, adversely affect consumer milk prices and retail demand for fluid milk, have disparate regional effects on farm income and reduce the effectiveness of the Federal dairy programs already directed by Congress. Legislation authorizing compacts should address such concerns.

Senator SPECTER. Thank you, Mr. Chairman.

Senator BENNETT. Thank you very much.

Senator Durbin.

Senator DURBIN. Mr. Chairman, it is a pleasure to be here with you again in your new capacity. I hope you will enjoy this committee. It is an assignment I had in the House and in the Senate and I think it is an excellent opportunity.

Madam Secretary, Mr. Dewhurst, Mr. Collins, Mr. Moseley, thank you for being here today. I am going to just ask one area of questioning very briefly. I have my statement that I would like to submit for the record and my questions.

FOOD SAFETY IN THE SCHOOL LUNCH PROGRAM

But I would like to speak to you for a moment and ask your thoughts on the question of the safety of the food in the school lunch programs of America. Since 1990 there have been more than 100 reported outbreaks of foodborne illness in schools that have sickened more than 6,000 children across our Nation. The Centers for Disease Control and Prevention tell us that 10,000 more kids were sickened in school-related food outbreaks during that time, although these kids never learned what food or pathogen made them sick. Those numbers are, I am afraid, just a fraction of the true amount, since foodborne illness in schools is seriously underreported across America.

Recently the Chicago Tribune reported that countless Illinois schoolchildren were served ammonia-contaminated chicken, hamburgers, and potatoes over the course of several months; contaminated food that apparently both Federal and State officials knew about but allowed to be served. In one Illinois elementary school, 42 kids and teachers became so ill after eating chicken with ammonia levels 133 times the acceptable amount that they were rushed to the hospital.

I understand that your agency has worked to improve the safety of food in schools, but when our schoolchildren are being sent to the hospital after eating the food that we provide, inspect, and regulate then obviously more needs to be done.

MANDATORY RECALL OF UNSAFE FOOD

I would like to ask you a few specific questions. Currently, recalls of unsafe food in the school lunch program are performed on a voluntary basis. Let me repeat that. Recalls of unsafe food in the school lunch program are performed on a voluntary basis. Complicating the recalls is the fact that schools do not know the identity of the producers who supply the food due to the complicated chain leading up to the school door. In the Illinois case, it appears some of the food was pulled from cafeterias. Several schools were not even notified they were serving potentially dangerous food until it was too late. In any event, the process in place now failed to protect our kids.

First question. Are there any reasons recalls of contaminated food served in the school lunch program should not be made mandatory if a voluntary recall effort fails?

Secretary VENEMAN. Senator, I appreciate your concerns about the school lunch food safety. It has been something that we have been concerned about as well. In fact, let me just give you a little bit of background on some of the things that we are doing in the Department.

We basically have three agencies involved in the school lunch program. We have the Food and Nutrition Service, the Agricultural Marketing Service, who purchases a lot of the products, and we have the Food Safety and Inspection Service when it comes to the safety of meat and poultry. We have started, within the Department, an interagency dialogue on all of these food safety issues so that the minute we have any issue that involves food safety, we know whether or not there were products that went into the school lunch program. That is part of our notice now.

That is something that was not done before. I just bring this up to tell you that I share your concern.

With regard to the case you cited that happened recently in Illinois, my understanding is that there were specific disposal orders that went out that were not followed by the school district. In fact, there are school district officials who have been indicted in this case.

Senator DURBIN. That is true.

Secretary VENEMAN. So while we need to be looking at that case as an example of where we can do better, I do not think the fault lies with the Federal agencies since they issued the disposal orders and they were not followed through on by the school district.

Now what does that mean for us in the future? It means that we are going to go back the next time and make sure that officials do what they say they are going to do.

Senator DURBIN. I would just say, you know that my passion is food safety.

Secretary VENEMAN. It is one of mine as well.

Senator DURBIN. I know that there are a dozen Federal agencies in charge of food safety, and 35 different laws, and 25 different

committees on Capitol Hill. It is madness. The only people that I can get to support a single food safety agency to try to consolidate this are people who have not been appointed Secretary of Agriculture or those who were former Secretaries of Agriculture. I cannot get any incumbent Secretary of Agriculture to agree with it until they leave office and then they think it is a great idea. Secretary Glickman fought me all the way, and now he is with me all the way.

I do not know what it takes, but there is something about going into that building that leaves you in a state of mind that you cannot think in terms of consolidating food safety. But what I just heard you say was, you are starting to realize you have to. You are bringing together within your own agency groups that were not talking to one another.

But what about the basic question? Should we have mandatory recall of contaminated food in the school lunch program rather than voluntary?

Secretary VENEMAN. We have not, to my knowledge, had difficulty getting firms to recall any product when necessary because, as you know, the U.S. Department of Agriculture, through the Food Safety and Inspection Service, has the ability to shut down a plant if they do not put forward a recall order as we recommend.

In addition, I would also note that the Department of Agriculture itself, through our Food and Nutrition Service, has used recall authority when necessary. We are able to do that as the customer.

So the issue of whether or not we need additional legislative authority I think is one that is, in our view, not necessary. We believe we have the legal authorities necessary to carry out recalls, if needed, and we have never had an instance where we were unable to get a recall carried out.

Senator DURBIN. I ask you, please do not rule out the possibility until we can talk about it a little more, because I think it may give you some authority that will protect some children.

SUPPLIER DISCLOSURE

I would also like to suggest to you, and this will be my last question, Mr. Chairman, we have had recommendations from the General Accounting Office that we need to give school districts and school authorities who are purchasing food, more information about food suppliers.

In other words, if you have gathered information, USDA FDA, that suggest that some suppliers to the school lunch program have had a questionable history of providing safe food, I would think it obvious that school authorities should have that information so that when they contract with these same people they have the benefit of this Federal information, and that they can purchase the safest foods for the school lunch program.

I have some legislation along this line and I would like to bring it to you in the same context if I can.

Secretary VENEMAN. If I might also make one comment, just last week we released our new Agricultural Marketing Service standards for the purchase of ground beef. Those are much stricter standards. They are standards which are consistent with those that the fast food restaurants use. So we now have a much stricter

standard that we just released last week with regard to purchases of ground beef for the school lunch program.

Senator DURBIN. Good. Thank you. Thanks, Mr. Chairman.

Senator BENNETT. Thank you very much, Senator.

Senator Byrd, you have been very patient. Appreciate your participation. Glad to give you a second round.

Senator BYRD. Mr. Chairman, you have been very patient. My experience over my 45 years on this committee is that the Chairman is usually left to the last. He is constrained to give other members of the committee an opportunity, and he usually waits until everybody else has a chance. So, I respect your situation, and I will be perfectly happy to wait until you have an opportunity to ask some questions.

Senator BENNETT. Go ahead.

HUMANE SLAUGHTER INSPECTORS

Senator BYRD. Thank you, Mr. Chairman.

A brief follow-up on the subject that I was pursuing earlier. In order to ensure that adequate funding is available to maintain no less than 50 humane slaughter inspectors throughout fiscal year 2004, the future funding needs must be determined. Given that the $5 million provided in the fiscal year 2003 omnibus appropriations bill for no less than 50 new humane slaughter inspectors has been made available through fiscal year 2004, Madam Secretary, will any additional funding be needed to fulfill and maintain this requirement in fiscal year 2004?

Secretary VENEMAN. We do not anticipate that we will need additional funding for the period of time through fiscal year 2004. That should be adequate funds according to our budget analysis that has been done.

Senator BYRD. Very well. I thank you. I will be pursuing this with interest, and I hope that the Department will proceed expeditiously to get the 50 new humane slaughter inspectors on board. I will be back later if you need additional funds.

In the meantime, I would appreciate it if you let me know if you are having any problems.

Secretary VENEMAN. We will do that, sir. We will keep in touch with you.

COMPETITIVE OUTSOURCING

Senator BYRD. Now as to outsourcing, the OMB scores agencies on how well they comply with the President's management agenda. Agencies are encouraged to submit management plans to the OMB which incorporates the competitive sourcing quotas outlined in the President's budget. I understand that agencies within the Department of Agriculture are currently studying their workforces to find places where it would be appropriate for private contractors to take over agency functions. One example relates to potential outsourcing of technical specialists, such as soil scientists and other conservation specialists of the Natural Resources Conservation Service. These are the people who are responsible for transferring public conservation policy to private landholders through what has been one of the most successful public/private partnerships in history.

Another example, which many of my constituents are concerned about, is the privatization effort within the U.S. Forest Service. I believe that this is an important issue for every agency in your Department. Regardless of the agency or the activity, the uncertainty at the employee level as to how agency outsourcing will evolve is having a horrific effect on morale. Given the loss of experienced agency personnel that will occur as a large number of employees reach retirement, we should be thinking of ways to retain experienced workers, not engage in practices that will erode their trust in personnel management.

It is my understanding from OMB that these competitive sourcing plans, once they are submitted to the OMB for approval can be released to the public at the discretion of the agency heads. If the Congress is to appropriate substantial funding for private sector employment opportunities, will you first provide Congress, and in particular this committee, with a copy of any management plan or a competitive sourcing proposal that the Department of Agriculture submits to the OMB?

Secretary VENEMAN. Senator, first let me just say that I have served in Government a long time and I have a great respect for career civil servants and the job that they do. It is certainly not a philosophical position on my part to reduce the career workforce.

I think, though, that you do bring up a very good example of where competitive sourcing is appropriate, and that is in the technical assistance area through the NRCS for some of the conservation issues in the Farm Bill that was specifically authorized by the Congress. We recognize the fact that we are going to need substantial new resources in technical assistance. It is not going to take away current jobs, we do not believe, in the NRCS, but recognize that we should have the opportunity for the private sector or the non-profit sector to compete with regard to technical assistance.

This has been something that has been very well received both on the side of the provider community as well as by the farmers themselves having the opportunity to work with a variety of sources in terms of this kind of technical assistance. We are working with OMB on where the appropriate areas are to potentially look at outsourcing, and we will consult with this Committee as we move forward.

But I do think that the technical assistance issue with regard to the NRCS is a very important one because it was specifically authorized by the Congress. And, it has been very well accepted in the agricultural community. It is one that we have done in conjunction with a lot of public input and public meetings to best see how to do this.

Another area where we do a lot of outsourcing, and it has been very effective, is in the whole area of technology and technology development. It is very difficult to get the kind of technology expertise in-house in the Government. We need the expertise of various providers, whether it is in GIS mapping or in some of our computer systems. But these are the kinds of things that I think are appropriate as we move forward and looking at the kinds of things that would be appropriate outsourcing in our Department.

Senator BYRD. You did not exactly answer my question. Let me ask a different question.

When do you expect to submit a management plan to the OMB? And, how soon can you make that plan available to this committee, if it requests such?

Secretary VENEMAN. We are working with OMB. I do not know that we have a specific timetable for submission of a management plan but we will certainly work with this Committee as we move forward on any specific plans with regard to the outsourcing provisions.

Senator BYRD. Do I understand you to say that you will provide this committee, if it requests such, a copy of any management plan or competitive outsourcing proposal that the Department of Agriculture submits to the OMB?

Secretary VENEMAN. Yes, we would provide this Committee with any plans to restructure the kinds of activities that we were proposing.

Senator BYRD. Very well.

Mr. Chairman, I thank you for your courtesy and your patience. And I thank you, Madam Secretary, and Mr. Dewhurst, and Secretary Moseley, and Mr. Collins. Thank you very much.

Secretary VENEMAN. Thank you, sir.

Senator BENNETT. Thank you, Senator.

Senator Harkin, do you want a second round?

Senator HARKIN. If you had some——

Senator BENNETT. I am going to submit some of mine in writing. I will say, the Secretary has a lunch appointment with the President of Spain as I understand it. So I am going to submit mine in writing so that she can meet her appointment. She and I talk perhaps more often than some of the others of you, so go ahead, sir.

Senator HARKIN. I will keep mine real short. I just want to know, is he buying or selling?

If he is buying, I will be real short.

AMES, IOWA ANIMAL RESEARCH FACILITY

You are very nice, Madam Secretary. You have been very patient. Mr. Chairman, you have been very patient and I appreciate that. I just have three very short ones. One has to do with the Ames Animal Research Facility. In 2001, USDA came to the conclusion that modernizing the Ames facilities was essential. You have visited the facilities. Three Secretaries of Agriculture have come to the same conclusion. As I read your testimony I am concerned that there may be some going back and reevaluating USDA's carefully developed plans to rehabilitate and renovate these facilities. Delay means increased costs and leaves our Nation without the facilities it needs to respond to future natural or terrorist threats to our meat supply.

I understand that construction will start this fall on the large animal holding facility and I just want to know, should we be concerned about any delay in moving forward with this project? Should we be concerned about any delay?

Secretary VENEMAN. We are absolutely committed to moving forward with the Ames modernization program. The question is funds. As you point out, if we delay and do this in increments, it could substantially increase the cost of the program.

Senator HARKIN. Could increase it.

Secretary VENEMAN. So, at this point, we intend to stay on the accelerated program. We received some additional monies in the 2003 omnibus bill, and that is certainly helpful. We are, as you say, going to begin construction on the one portion of it this fall.

Senator BENNETT. Senator Harkin is responsible for your giving additional monies.

Secretary VENEMAN. Thank you, sir.

Senator HARKIN. I do not know about that. We all worked together on that, I think, to get that done.

Mr. Chairman, as you know, you have been in business. They are building—everyone is committed to getting this thing rebuilt. There is a large animal facility. Then there is another biocontainment facility, then a small animal facility. The contractors and constructors will be there this fall starting on the large animal facility. If they can then continue to build the others, they have got all the equipment there, they have got the people there. But if they have to close that down, go away, then come back, the costs just escalate. That is what we are trying to get to in terms of getting the funds out there. Once the contractor is there, finish the job and get it done. That is what my comments went to.

FARM BILL ENERGY PROVISIONS

On energy, Madam Secretary, you along with your staff and the President have stated your support for farm-based renewable energy including the landmark energy provisions in 2002 farm bill. Yet the Administration in the budget has proposed to cut or eliminate funding for some of these very popular initiatives. The 2004 budget of the President effectively zeros out funding for the renewable energy and energy efficiency program. That is Section 9006, which provides cost-share assistance to farmers and rural small businesses for renewable energy systems like wind turbines, methane digesters, and to make valuable energy efficiency improvements to their own operations to save money. Your budget also reduces funding for the critically important bioenergy program under the Commodity Credit Corporation which assists our ethanol and biodiesel producers. Again, these programs were funded in the Farm Bill.

So can you—again, if you cannot now, if you want to respond in writing, that is fine. I know you have got to get to your lunch, but I am just interested in where you are headed with this and whether or not we are going to get the funds necessary for the cost-share programs and for the bioenergy programs.

Secretary VENEMAN. Senator, you and I have talked a lot about programs for rural America and for renewable sources of energy. Obviously, we are very supportive of moving ahead with new markets for our agricultural producers.

One of the issues that came up with regard to the Farm Bill is that there were funds that were provided for some of these programs, and we will get some of the specifics to you in writing as you indicate, but some of these programs were funded for the first year of the Farm Bill with mandatory funds and then it was left to discretionary funds in the outyears. We are limited in terms of the amount of discretionary funds we have to put toward new programs, which made it difficult to make some of these choices. I un-

derstand that the Farm Bill authorized these programs but they were funded initially with mandatory funds and we have had difficulty coming up with discretionary funds to continue some of the funding.

The other thing I would like to point out is that some of these programs were funded with mandatory funds in fiscal year 2002 with program funds that would go into fiscal year 2003. So some of the funds that were provided as mandatory funds are continuing funds that can be used for these programs to allow them to proceed into the outyears.

Senator HARKIN. Please check with your staff. I think the two programs I mentioned, 9006 and the bioenergy program are both mandatory. Those do not rely upon discretionary funds.

Mr. COLLINS. Senator Harkin, that is correct, they are both mandatory. What happened with the CCC bioenergy program, the Administration did propose capping that at $100 million. The authorization is for $150 million a year. However, it is funded at 77 percent of $150 million, or $115.5 million by the appropriations bill. We just announced the final rule on that program this week. We are operating that program with $115.5 million for fiscal year 2003 and at $150 million in future years. That is the operating regime we are under.

With respect to the other program you mentioned, the renewable energy systems and energy efficiency program, that program was funded at $23 million in mandatory funds.

Senator HARKIN. That is that cost-share program.

Mr. COLLINS. Correct, that is a cost-share program. It was funded at $23 million a year in mandatory spending for each year of the life of the Farm Bill. The Administration is implementing that program at the $23 million level for fiscal year 2003. It was proposed at $18 million in fiscal year 2003 but it is being implemented at $23 million.

Senator HARKIN. I thought it was zeroed out.

Mr. COLLINS. In the future, in fiscal year 2004 it is proposed to be shifted to discretionary funding. If I am not mistaken, I think the discretionary funding level is $3 million a year. That was simply a function of the tight budget environment and very tough trade-offs in trying to make a difficult decision about where to focus the money.

Senator HARKIN. So it goes from 23 down to three.

Mr. COLLINS. Correct.

Senator HARKIN. And shifted from a mandatory program to a discretionary.

Mr. COLLINS. Correct.

Senator HARKIN. Can you do that?

Mr. COLLINS. No, you have to do that.

Senator HARKIN. That is what I thought.

Mr. COLLINS. We can only propose that.

Senator HARKIN. That is what I thought. You cannot do that. So you are proposing to do that.

Mr. COLLINS. Yes, sir.

Senator HARKIN. Mr. Chairman, I would say, I hope we do not do that. That is why it was written into the bill that way, was to

keep it on that level and keep it moving as a mandatory program. If I remember right in the farm bill, that had pretty broad support.

Senator BENNETT. Do we do that or does the authorizing committee do that?

Senator HARKIN. I do not know.

Senator BENNETT. If you do not know, I certainly do not know.

Senator HARKIN. It would have to be that the authorizing committee. The appropriations can only do on the funding, but to change it, to shift the nature of it would have to be done by the authorizing committee.

Senator BENNETT. That would be my thought.

Senator HARKIN. The authorizing committee would have to approve of that. So again, I hope Appropriations Committee will—but how can they do that? You have requested us to do it, but I do not think we can do that. I am told by my staff they can do it through limitations and obligations. And we would oppose that, obviously.

Senator BENNETT. That was redundant.

Senator HARKIN. That statement did not have to be made. That was all I really had, and I do not want to delay you. I know you have got to go to lunch.

Technical assistance, I will write you a letter on that because I think some things were said here. We specifically undid the Section 11 cap, specifically in the omnibus bill, specifically. I have got it here. I can read it to you. So I do not know why we are having so many problems with that because we specifically we wrote it out in the omnibus bill. So I do not know why we are having problems on the technical assistance.

Lastly, Mr. Chairman, it seems I do have some work to do and I will have to talk with Senator Stevens about the CSP to clear up some misperceptions. As we all know, it is not an uncapped entitlement. There are rigid caps in there.

Secondly, it is not rely an entitlement. There are things you have to do in order to qualify for it. It is just that it is open to all. But you still have to meet certain things and it is very strongly capped. So I will have to talk with him about that.

ADDITIONAL COMMITTEE QUESTIONS

Thank you all very much. Thank you, Mr. Chairman, for your kind patience.

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

QUESTIONS SUBMITTED BY SENATOR ROBERT F. BENNETT

BIOTECHNOLOGY

Question. Madam Secretary, I noted that you have requested an additional $6.604 million in your own budget to fund cross-cutting trade-related and biotechnology programs throughout the Department. According to your staff, these funds will eventually be distributed to the Foreign Agriculture Service, the Animal and Plant Health Inspection Service, and the Grain Inspection, Packers and Stockyards Administration.

How did you arrive at this figure? How much of this amount do you expect will be made available to each of these agencies? Why didn't the Department request that the increases be provided directly to those accounts?

Answer. This figure was arrived at by considering the priority needs for these activities and overall budget constraints. We request appropriations for the Office of

the Secretary so funding may be allocated in a coordinated manner to address issues related to trade and biotechnology that are very fluid. It would be premature to make allocations at this time, though we would expect funding to be used to respond to World Trade Organization and regional and bilateral trade negotiation demands, as well as trade and regulatory issues associated with biotechnology.

Question. What are the established criteria for distribution of these funds? What are the established procedures to seek Congressional approval for these transfers?

Answer. Funds would be used for high-priority Departmental needs related to trade and biotechnology, such as World Trade Organization and regional trade negotiation demands and trade and regulatory issues associated with biotechnology. Authority to transfer the funds is included in proposed appropriation language that was submitted with the President's budget.

REVIEW OF RURAL DEVELOPMENT OFFICES

Question. I understand Rural Development is performing a review of all of its offices nationwide. Could you please share your expectations of this review with us, the reasons behind it, and the status?

Answer. Rural Development went through several reorganizations during the 1990's that resulted in a variety of different organizational structures, positions and titles in the States. While there is great diversity in geography and needs among the States, the variety of field structures has resulted in confusion to our customers, especially those who work with more one State office, and to the national office staff as it works to implement national programs. An advisory committee composed of 10 Rural Development State Directors reviewed the various organizations and recommended two organizational models, one of which could be adopted in all States. The committee also made several recommendations related to responsibilities, titles, and the minimum size of staff at an office location to ensure quality customer service is provided. Each Rural Development State Director has developed a plan for achieving the recommendations of the advisory committee's report and those state plans are currently being reviewed. Implementation of those plans will result in greater consistency in the delivery of our programs and improved efficiency and effectiveness in the delivery of our programs.

IMPLEMENTATION OF AGRICULTURE EMERGENCY ASSISTANCE ACT OF 2003

Question. What is the status of the implementation of the Agriculture Emergency Assistance Act of 2003? When do you expect the Livestock Assistance Program signup to begin? When do you expect payments to begin?

Answer. The implementation status is as follows:

—*2001/2002 Crop Disaster Program.*—Signup begins June 6, with payments to begin by the end of the month.

—*Livestock Compensation Program (LCP).*—2,149 counties in 42 States were already eligible for LCP under the original program announced September 19, 2002 (LCP–I). An additional 779 counties in 30 States have become eligible under the Agricultural Assistance Act of 2003 (LCP–II). Signup began April 1 and will continue through early June. Payments began in early May.

—*Hurricane Loss Assistance for Sugarcane Growers and Cooperatives and Sugar Beet Disaster Program.*—Signup will begin for both programs once the program provisions have been finalized.

—*Tobacco Payment Program.*—Signup is under way March 17 through May 16, with payments to be completed by the end of May.

—*Cottonseed Payment Program.*—Signup began May 2 and will continue through May 23. Payments will be issued in early June.

Signup is expected to begin in August and continue through the end of October. Because the program is limited to $250 million, signup must end and a payment factor be determined before payments can be issued. Once the factor is determined, payments should begin within 2 weeks.

FOOD STAMP PAYMENT ACCURACY ACTIVITY

Question. In your testimony, you mention funds to improve the integrity and accuracy of nutrition programs. According to your testimony, the current average State payment accuracy is now 91.34 percent. How does the Department expect to improve on that number and improve the integrity of nutrition programs?

Answer. The Food and Nutrition Service (FNS) implemented a priority project plan beginning in fiscal year 2001 to reduce eligibility errors and assure program integrity in the Food Stamp Program. The intended outcome was to initially achieve, for fiscal year 2001, a payment accuracy rate of at least 90.8 percent. As noted above, the agency exceeded its payment accuracy goal, by achieving an accu-

racy rate of 91.34 percent in fiscal year 2001. Preliminary quality control data for fiscal year 2002 suggest there has been even further improvement in this fiscal year. These rates will be released in June 2003.

FNS continues to employ a variety of strategies and activities to improve payment accuracy and assure program integrity. For the past several years, the agency has received $1.9 million in funding per year to augment its staffing and efforts to increase payment accuracy nationwide. FNS also allocates nearly $400,000 annually to support State travel to conferences, workshops, and other meetings between States, to facilitate the sharing of best practices of effective and efficient program management techniques.

Fiscal year 2003–2004 current and planned activities include:

—Creating and maintaining a national team of experts to monitor and evaluate payment accuracy progress, analyze error rate data, and exchange information on payment accuracy best practices and program improvement strategies.

—Targeting high issuance/high error rate states for enhanced Federal intervention and technical support. This is accomplished by establishing a tier methodology for states (based on error rate performance) to support effective and consistent deployment of limited FNS resources for intervention and technical assistance.

—Continuing the exchange of best practices information through the State Exchange Program, and the publication of a Best Practice Guide.

—Further facilitating the commitment, involvement and collaboration among State partners and leadership at all levels through the utilization of a web-based environment dedicated to the exchange of information and discussion forums on error reduction issues and strategies.

—Continuing to work with States to optimize analysis based on quality control data in an effort to develop and monitor corrective action.

WIC PARTICIPATION ESTIMATION PROCESS

Question. The Administration's budget supports a record level of funding for the Women, Infants and Children Program (WIC) to cover anticipated increases in participation. What process is used by the Department of Agriculture to determine the additional participation? Also, will the Department make another participation estimate prior to Committee action on the fiscal year 2004 Agriculture Appropriations bill?

Answer. USDA tracks WIC participation throughout the fiscal year and makes projections for the following fiscal year based on anticipated demand for services. Based on current and projected fiscal year 2003 participation levels, we consider it unlikely that we will revise our participation estimate prior to Committee action on the fiscal year 2004 Agriculture Appropriations bill.

FOOD SAFETY EDUCATION

Question. The Department recently launched a campaign to educate and reinforce to consumers the importance of food safety. A food safety mobile actually travels the country to educate the public. According to your testimony, an increase of approximately $2 million is requested for a mass media campaign aimed at improving the safe food handling practices of consumers. What other resources are available through USDA to educate the public when it comes to food safety?

Answer. One of the key public health missions for FSIS is to educate the public about the hazards of foodborne illness, as well as to teach safe food handling techniques to ensure the safety of meat, poultry, and egg products. The $1.5 million requested in the budget will be used to evaluate and develop effective strategies for a comprehensive and sustainable mass media food safety education campaign.

FSIS has already started to develop this campaign with the new USDA Food Safety Mobile. The Food Safety Mobile is traveling the country to educate the public about the importance of food safety, but at the same time, we are learning important lessons about the best way to get our message across in order to reach the most people through events and the media. We will use the information that we learn from this new campaign to determine how to best utilize our resources, meet our food safety education goals and communicate our food safety message with all segments of the population.

Other USDA agencies such as the Food and Nutrition Service (FNS) and the Cooperative State Research Education and Extension Service (CSREES), also offer programs to promote food safety and make educational materials available. Trying to share food safety messages with all segments of the population, such as consumers, food preparers, educators, children, physicians, public health officials, and industry, is a formidable task. However, partnerships between USDA agencies, other State

and Federal entities, as well as private and public organizations facilitates a wider dissemination of life-saving public health information about food safety.

REIMBURSEMENT RATE FOR CROP INSURANCE COMPANIES

Question. In the Risk Management Agency portion of the Administration's budget, the reimbursement rate for crop insurance companies is reduced from the current level of 24.5 percent to 20 percent. Recently, one crop insurance company failed and others have commented on the thin profit margins due to 2 years of drought conditions. If this proposal is enacted, do you expect participation in the crop insurance program to lower due to this change?

Answer. The number of companies participating in the Crop Insurance program has been on a steady decline due to a variety of reasons. As recently as 1993 there were 24 companies in the program compared to 18 today. It is likely that market dynamics will further reduce that number. To protect the integrity of the delivery system, each new company will need to satisfy a higher minimum standard of operating and financial condition to be admitted into, and remain in, the program.

A reduction in the reimbursement rate will increase the financial pressure upon the companies to adjust their operating approach. Each company will strive for increased efficiencies without sacrificing service. This of course is a healthy exercise. However, if the company is not successful in driving down cost and generating sufficient returns to satisfy shareholders, consolidation or departures will be the result.

CROP INSURANCE FRAUD AND ABUSE

Question. It is my understanding that crop insurance fraud and abuse is a concern for both the Department of Agriculture and crop insurance companies. A number of individuals are experimenting with various methods that could be used to combat fraud and abuse. Does the Risk Management Agency have additional ideas on how to increase the awareness or combat program fraud and abuse?

Answer. The Risk Management Agency (RMA) continues to regard technology, visibility and preemptive actions as a major element of our program to improve the way we address fraud and abuse. This approach takes advantage of the advanced tools that are becoming available through various USDA initiatives such as data mining, remote imagery, and geographical information systems (GIS) technology. We have only started to explore and use the possibilities of leveraging the use of GIS technology and data mining to identify potential program abuse and increase the cost/benefit for the funds currently dedicated to compliance activities. In particular, GIS capabilities will be expanded in concert with the Farm Service Agency to benefit program compliance with other farm programs in addition to crop insurance. RMA also benefits from FSA field office spot checks in priority areas and from continual review and revision of product structures and program design to preempt and prevent abuse. Regarding program awareness, RMA continues to publicize high profile cases to make farmers aware of the penalties associated with program abuse. Future RMA reviews will also include more field visits with producers to promote compliance program objectives.

QUESTIONS SUBMITTED BY SENATOR TED STEVENS

ORGANIC STANDARDS FOR WILD SEAFOOD

Question. In the fiscal year 2003 Supplemental Congress just approved, a provision was included directing you to permit wild seafood to be labeled "organic". Under prior law, seafood could not be labeled organic because it was not grown on a farm. What are the plans for implementing this new law, and when can we expect new regulations to be in place?

Answer. Our plans at the present are to begin a public dialogue on standards for seafood later this fiscal year. We will publish information on the National Organic Program web site seeking comments and input from interested parties to determine the scope of work involving the development of organic standards for seafood.

COUNTRY OF ORIGIN LABELING

Question. In the 2002 Farm Bill, Congress passed a provision directing the USDA to develop a country of origin labeling program for several commodities, including salmon. You recently announced that your department would hold listening sessions in several communities. My colleague Lisa Murkowski and I wrote you a letter requesting that you schedule a session in Alaska. What are your plans for listening sessions in our State?

Answer. We are pleased to inform you that we have been in contact with representatives of the Alaska seafood industry and will join them in Kodiak, Alaska, on June 12, 2003, to hear their views and concerns on country of origin labeling.

Question. Because of the importance of this program in Alaska and in the lower 38, I would like to know what the timeline is for implementation of this program?

Answer. The law required USDA to issue guidelines for voluntary country of origin labeling by September 30, 2002, which USDA published on October 11, 2002. To meet the law's deadline for implementation no later than September 30, 2004, we expect to promulgate the rules for the mandatory country of origin labeling program in early 2004.

QUESTIONS SUBMITTED BY SENATOR CHRISTOPHER S. BOND

COMPETITIVE SOURCING

Question. With respect to the A–76 process, please outline in detail a comprehensive description of the status of all affected USDA employees in Missouri, including but not limited to the following information: how many employees are on the inventory; a description of their duties; how they were determined and by whom to not be considered "inherently governmental"; how many employees on the job are already privatized/contracted out and what they do and what they cost; any available analysis suggesting that service is not compromised and that the cost to the Federal Government is reduced; what the plans are for the future; and how functions placed on the inventory before enactment of fiscal year 2003 appropriations are in compliance with language included in Senate Report 107–41 noted below.

"The Committee expects that none of the funds provided for Rural Development, Salaries and Expenses should be used to enter into or renew a contract for any activity that is best suited as an inherent function of Government, without prior approval from the Committees on Appropriations of the House and Senate. Such activities may include, but are not limited to, any function that affects eligibility determination, disbursement, collection or accounting for Government subsidies provided under any of the direct or guaranteed loan programs of the Rural Development mission area or the Farm Service Agency. Further, the Secretary shall provide a report to the Committees on Appropriations of the House and Senate by March 1, 2002, on all plans by the Department to enter into contracts to carry out any of the previously stated activities."

How many total FTEs at Rural Development currently exist relative to levels 10 years ago?

Answer. The Rural Development Mission Area FTE ceiling is 7,024 for fiscal year 2003. In 1993, our records show that the precursor agencies that now constitute Rural Development had the following staff year ceilings.

[The information follows:]

AGENCY	1993 STAFF YEARS
Rural Utilities Service, formerly Rural Electrification Administration	890
Rural Housing Service, formerly Rural Housing and Community Service	8,144
Rural Business-Cooperative Service, formerly Rural Business and Cooperative Development Service	435
TOTAL	9,469

This represents a reduction of 2,435 staff years from the staff year ceiling over the 10-year period.

Question. How many contract employees at Rural Development currently exist relative to levels 10 years ago?

Answer. Due to the temporary nature of contracts and contract employees, Rural Development does not track this information.

Question. Federal Programs at USDA to provide loans to the rural poor were authorized by Congress because private lending institutions were not willing to expose themselves to the significant financial risk. It is my understanding that those bidding under A–76 to take over the public loan program functions carried out by the USDA are large multi-national banks. Do you think it is appropriate to turn over lending programs to those who have already elected not to serve these poor citizens?

Answer. The Rural Development mission area has not identified any public loan program functions in its competitive sourcing plan approved by the Department in May 2002.

Question. Do you believe it is a good Federal policy to have big private banks conducting activities such as determining eligibility, disbursement, collection or accounting for Government subsidies provided under any of the direct or guaranteed loan programs of the Rural Development area or the Farm Service agency?

Answer. The Rural Development mission area has not identified for competitive sourcing, any function related to the determining of eligibility, disbursement, collection or accounting for Government subsidies functions under any of its direct or guaranteed loan programs.

FOOD SAFETY ASSESSMENT PROCESS FOR BIOTECHNOLOGY

Question. Under current law, it is clear that there is latitude to administratively establish an early food safety assessment process for biotechnology derived food and feed products, which is often referred to as the Adventitious Presence issue. It is also clear that USDA would have a lead role to play in coordinating this process with EPA and FDA. Could you elaborate upon the progress that the three agencies have made to move forward on the OSTP notice, which was issued in the summer of 2002?

Answer. The expansion of biotechnology-derived crops is expected to result in net benefits to producers, consumers, and the environment. The Federal regulatory agencies—the USDA Animal and Plant Health Inspection Service (APHIS), the Food and Drug Administration (FDA), and the Environmental Protection Agency (EPA)—must maintain appropriate regulatory oversight, adjusting its requirements based on scientific developments and industry trends.

The Office of Science and Technology Policy has requested public comment on proposed Federal actions. In anticipation of the expansion of the development and commercialization of agricultural biotechnology, these proposed Federal actions would establish a coordinated regulatory approach to update field testing requirements of biotechnology-derived plants and to establish early food assessments for new proteins produced by plants intended for food and feed use. The comments received in response to the proposal are still under review and the agencies continue close coordination.

EARLY FOOD SAFETY ASSESSMENTS

Question. Expanding agricultural exports is critical to the viability of the American farmer and to a robust economy. It appears to me that it is critical to establish an early food safety assessment process in a timely manner to leverage greater access for U.S. agricultural products in international markets while simultaneously protecting our credibility with trading partners. I would appreciate your view on this and what plans the Agencies have to address this issue in international markets.

Answer. Regarding the value of an early food safety assessment for products of modern agricultural biotechnology, USDA coordinates closely with the Food and Drug Administration and the Environmental Protection Agency under the U.S. Government's Coordinated Framework for Biotechnology to address these types of important issues. In addition, USDA operates a host of activities and participates in many others to promote the development, responsible regulation and use of agricultural biotechnology around the world in order to preserve market access for U.S. agricultural products.

BIO-BASED PRODUCTS

Question. Secretary Veneman, I appreciate the enormous task you and your staff at USDA have had last year in implementing the 2002 Farm Bill. I commend you for your diligence and hard work in getting these critical programs up and running for our nation's farmers and rural citizens. However, there is one area that has lagged behind in implementation and that is Section 9002 of the Farm Bill. This section gives USDA the central role in leading the Federal Government's use of bio-based products. I would like to know the status of the proposed regulations.

Answer. Currently, the draft proposed regulation is in final clearance. We expect to have the proposed regulation published by autumn. A 60-day public comment period will follow, to give stakeholders and the public an opportunity for comment. The draft regulations have taken longer than anticipated for several reasons:

The program is complex, with many issues to be resolved, ranging from the types of renewable materials that can be used in bio-based products that qualify for procurement, to how a labeling program would work, to how bio-based content is measured. As bio-based products are such a new field, there is no obvious blueprint to follow.

Addressing the range of responsibilities the statute gives the Secretary is especially challenging. Before qualifying items for procurement, the Secretary must consider the availability of the items and the economic and technological feasibility of using the items, including the life-cycle costs. Moreover, the statutes also require that the Secretary provide information as to the availability, relative price, performance, environmental and public health benefits, and—where appropriate—a recommended level of bio-based material contained in the items to be procured. To meet these criteria, we have been working to identify the appropriate testing and evaluation procedures to be used and how to ensure the integrity of test results.

Another necessary complication is that the statute requires consultation with a number of Federal agencies, and that takes time because of differing views.

Question. I would also like to encourage USDA's own internal use of bio-based products. I feel USDA can and should be leading this government-wide effort. Bio-based products help develop new markets for our agriculture products and should be fully utilized by USDA. Please let me know the status of USDA's activities in this area.

Answer. USDA has been an enthusiastic user of bio-based products, as well as a leader in spearheading new bio-based research and applications.

Our Beltsville Agricultural Research Center (BARC) has been at the forefront of this effort. In fact, BARC won the prestigious White House Closing the Circle (CTC) Award for environmental achievement in 2001, in recognition of the Center's innovative utilization of bio-based products. The 2001 CTC Award specifically lauded the BARC Biodiesel Demonstration, the permanent fuel program of the Center in which all 150 diesel-powered vehicles at BARC use a blend of 20 percent biodiesel and 80 percent diesel fuel referred to as B20. The Center has worked closely with the Defense Energy Supply Center, to purchase large quantities of pre-blended B20, which reduced costs and made it easier for Defense and civilian agencies to purchase the fuel. BARC is now demonstrating the use of B20 in back-up generators at the facility, and is using another, B5, blend in its boiler plants in an effort to reduce use of #2 home heating oil.

In addition to biodiesel, the Center utilizes a variety of bio-based products on a regular basis. In fact, the use of these products as part of an innovative Environmental Management System helped BARC win the CTC award for 2002 as well. Specific examples of bio-based products utilized include: soy-backed carpet; bio-based 2-cycle oil; gear lubricant; hydraulic fluids; lithium grease; anti-wear hydraulic oil; chainsaw bar and chain lubricant; oil cutter; penetrating fluid; power steering fluid; and engine oil. All shops utilize bio-based hand cleaners, parts cleaners, and metal cleaners. A recently-implemented BARC janitorial contract requires the use of bio-based and/or environmentally preferable cleaning materials, restroom hand soaps, and other products on a daily use basis in all the Center's facilities.

Across the Department, other activities are ongoing to expand our internal usage of bio-based products. USDA is committed to using alternative domestic biofuels in our fleet vehicles, and has an internal Departmental education and promotion strategy in place to annually increase the level of usage of these fuels, especially biodiesel and ethanol. In fiscal year 2000, USDA fleets used 66,550 gallons of alternative fuels and by fiscal year 2002 the fleets were using over 133,000 annually. For fiscal year 2003, we expect an estimated 8 percent increase over fiscal year 2002 usage levels. Also, we expect to soon initiate a biodiesel fuel educational outreach grant program, as directed by the 2002 Farm Bill's Section 9004. In another product area, this past spring, USDA purchased carpet for various Departmental offices that utilizes soy-based carpet backing.

Finally, we are involved in government-wide projects to create markets for bio-based products. In addition to the aforementioned Federal bio-based preferred procurement program of the Farm Bill's Section 9002 that we are leading, we are actively participating in the "Buy Bio" inter-governmental working group, developing additional strategies for government-wide procurement and promotion of bio-based products.

VALUE-ADDED DEVELOPMENT GRANT PROGRAM

Question. On another note, the Administration's proposed budget eliminated funding for the value-added development grant program, which was authorized in the last farm bill. Many Missouri farmer groups are utilizing this program to jump start value-added ventures, which are desperately needed to rejuvenate rural economies and create jobs. While Missouri producers were successful last year in securing some funding to assist their projects, many projects are still seeking assistance. With the proposed elimination of funding, how does USDA intend to assist producer

groups who are seeking to help themselves and their communities through value-added agriculture?

Answer. USDA provides support to producer groups for value-added activities through a number of its programs. One means is through technical assistance. Rural Development's Cooperative Services program has many years of experience in working with producers to organize cooperatives, many of which involve value-added activities. There are cooperative development specialists assigned to the National Office, as well as to many of the State Rural Development offices. Rural Development also offers other funding programs to assist producers who wish to enter value-added activities. These include the Business and Industry Loan Guarantee Program, the Cooperative Stock Purchase Program, and the Rural Business Enterprise Grant Program.

QUESTIONS SUBMITTED BY SENATOR CONRAD BURNS

UPDATE ON LIVESTOCK FEED PROGRAM

Question. Much of the State is still in extreme drought conditions. Your announcement on it was last month—can you provide an update on how the program is running, and whom it affects?

Answer. The Secretary will add seven counties in southeastern Idaho and an additional four counties in northwestern Utah, under the 2003 Livestock Assistance Nonfat Dry Milk Program to those experiencing continuing drought. This makes livestock producers in a total of 130 counties in 11 States eligible to apply for surplus stocks of nonfat dry (NDM) milk. These surplus stocks cannot be used for human consumption.

This program was designed to be dynamic and adjust as conditions change to help meet the needs of America's foundation livestock owners experiencing the worst conditions.

Other States already included in NDMFP are Arizona, Colorado, Kansas, Montana, Nebraska, New Mexico, South Dakota, Utah and Wyoming. These stocks are provided at a minimal cost to the States and Tribal Governments who are responsible for providing distribution points for the eligible producers. The Commodity Credit Corporation will bear the expense of and be responsible for transporting the NDM to distribution points.

The program uses USDA's surplus NDM stocks that are out of condition. The allocation of NDM for a county is based on a renewable, 30-day supply equivalent to 2 pounds of NDM per day for beef cattle and buffalo, and ½ pound of NDM per day for sheep and goats. Eligible livestock include foundation herds of beef cattle, buffalo, sheep and goats. National Agricultural Statistics Service (NASS) data is used to determine the number of eligible livestock in each county. Eligibility is determined based on the U.S. Drought Monitor found on the Web at http://www.drought.unl.edu/dm/monitor.html.

The addition of 11 counties required an obligation of 12 million pounds of NDM. A total of 232 million pounds of NDM is now obligated to producers in the States that have been hardest hit by the ongoing drought.

Question. When will checks for Crop Disaster (CDP) be going out?

Answer. Signup started on June 6 and the issuance of payments began on June 30.

Question. What are the views on the Ewe replacement program?

Answer. The Lamb Meat Adjustment Assistance Program including the ewe lamb expansion payment program is scheduled to expire July 31, 2003. The overall program has provided some much needed assistance and sheep producer returns have improved since the initiation of the program in 1999. In general, the program seems to have fulfilled its objective. Ewe lamb payments have been made on over 1.3 million ewe lambs to increase the quality and size of U.S. flocks. However, serious drought conditions have discouraged expansion in many areas. We will reevaluate the overall condition of the sheep industry as we consider proposals to extend the program.

HARD WHITE WHEAT INCENTIVE

Question. How will USDA handle this program?

Answer. The final rule for the Hard White Wheat Incentive Program (HWWIP) is published in the Federal Register. Key components of the HWWIP include:

—Signup for 2003 HWWIP began March 3, 2003, and will continue through the marketing year.

—Both hard white winter wheat and hard white spring wheat are eligible for payment.
—A production incentive in the amount of $0.20 per bushel is provided for a minimum of #2 or better hard white wheat, as established by the Federal Grain Inspection Service.
—Payment can be earned on a maximum of 60 bushels for each planted acre.
—An additional incentive in the amount of $2.00 per acre is provided for each acre planted to certified seed.
—Producers are eligible to earn both the production incentive and the certified seed incentive in the same year.
—Total Commodity Credit Corporation outlay for the 3 years is to be based on not more than 2 million acres or equivalent volume of production.
—Settlement sheets must be provided to FSA upon disposal of the production certified on the application, to be eligible to earn the production incentive.
—The end use of the hard white wheat may not be for feed.

Question. When can producers expect to get paid for their certified seed tags?

Answer. The certified seed incentive payment and the production incentive payments will be issued, as applicable, as soon as payments software development and testing is complete.

As you are aware, the HWWIP provisions were included in the 2002 Farm Bill. Due to the massive resources required to implement the Direct and Counter-Cyclical Program, livestock assistance programs, other programs included in the 2002 Farm Bill, and the programs included in the Agricultural Assistance Act of 2003, program delivery and implementation was prioritized according to the potential numbers of affected producers, as well as other determining factors.

All available resources are currently being utilized and a certain portion allotted to final development of the HWWIP, so that payments may be timely issued. We are anticipating that we will be able to begin issuing payments as soon as possible during the summer of 2003.

QUESTIONS SUBMITTED BY SENATOR HERB KOHL

FARM BILL IMPLEMENTATION

Question. The new farm bill expanded program crops to include soybeans as an eligible commodity to receive direct and counter-cyclical payments. I have heard from constituents that this has had the unintended effect of restricting the ability of growers to produce anything other than program crops once their acreage becomes "program" acreage and they are thereby prohibited from producing commodities such as fruits and vegetables. I do recognize that the Department has attempted to address this problem administratively.

Are there additional authorities at your disposal to address this problem, or does a remedy require legislation?

Answer. The 1996 Act established bases acres for wheat, feed grains, cotton, and rice. Nationally, base acres equal 212 million acres. Because producers of these crops can update their bases and bases may be established for oilseeds for the first time under the 2002 Farm Bill, total base acres could increase by 50 to 75 million acres. These additional base acres potentially reduce the "pool" of acres available for fruit and vegetable plantings.

The provisions that allow owners to update base acres and establish base acres for oilseeds is statutory; the Administration has no discretion when it comes to implementing these provisions.

However, the 2002 Farm Bill allows producers to opt out of the program for any year and be allowed to plant unlimited acres of fruits and vegetables on that farm. The producer will not receive any direct and counter-cyclical payments for that farm; however, the farm may be enrolled in the in succeeding years and receive full program benefits.

We have heard compelling arguments from those who think the fruit and vegetable restrictions and penalties are too severe and from those who think the opposite. The Secretary has used any discretionary tools available to her to strike a balance between opposing viewpoints. We believe in the principle of planting flexibility; however, we are concerned about how small increases in fruit and vegetable acreage can be devastating to the traditional growers of these crops, especially if the increase is a result of government programs.

After listening carefully to all sides of the arguments, we have a rule that implements the statutory provisions of the 2002 Farm Bill and minimizes the government's role in influencing a producer's decision to plant fruits and vegetables. The

rule gives the industry the ability to attract new acres if market conditions warrant, without giving the program participant an unfair advantage in being able to receive both government payments and fruit and vegetable income on the same acres.

HOMELAND SECURITY/OFFICE OF HOMELAND SECURITY

Question. What are the responsibilities of the Department's Office of Homeland Security?

Answer. The Department does not have an Office of Homeland Security. The Department established a Homeland Security Council and a Homeland Security Support Staff. The Council is chaired by the Deputy Secretary and includes all of the Under and Assistant Secretaries, the Inspector General, select staff office directors, and the communications director. This Council is responsible for protecting the food supply and agricultural production, protecting USDA facilities and other infrastructure, and protecting USDA staff and managing emergency preparedness.

USDA's Homeland Security Staff is delegated authority for the following primary functions of:

—coordination with mission areas for policy formulation, response plans, reporting and action assignments to meet acute and major threats to the food and agricultural system, and key USDA assets;

—activating the USDA incident management system and the Federal Response Plan responsibilities in the event of a major incident;

—oversight of USDA nationwide policies and procedures related to homeland security;

—coordination with the White House Homeland Security Council, Department of Homeland Security, other Federal agencies, and public and private organizations, as necessary;

—collaboration with the National Security Council, the Homeland Security Council, the Office of Management and Budget, USDA mission areas, the Office of Budget and Program Analysis, and the USDA Homeland Security Council on the development and submission of a coordinated budget request for homeland security; and

—staff support to the USDA Homeland Security Council.

TRANSFERS TO PLUM ISLAND

Question. The President's budget proposes to transfer $7.8 million in fiscal year 2004 to the Department of Homeland Security (DHS) for research and diagnostic activities currently funded through ARS and APHIS respectively at the Plum Island Animal Disease Center at Greenport, NY.

What assurances do you have that once this funding is transferred to DHS, research and diagnostic priorities will continue to support the animal health issues as they have in the past and as anticipated by the livestock sector?

Answer. The fiscal year 2004 Budget provided funding for Plum Island activities to both USDA and DHS. We are working with our partners at DHS to create a research and diagnostic program that reflects the priorities of both departments. Communications between USDA and DHS, in relation to the DHS fiscal year 2004 budget, reveal that they share a strong interest in rapid detection of pathogens and vaccine development. These two areas of ongoing research by USDA are designed to meet the need of the livestock industry and the American public.

Question. Please summarize any communications you have had with the livestock sector in regard to concerns they may have that responsibilities for these activities may fall out of the jurisdiction of USDA.

Answer. USDA personnel have visited with various stakeholder and consumer groups representing the livestock sector during which the transition at Plum Island has been discussed. Within these groups there is a broad array of opinions as to how the changeover is perceived. Some groups express apprehension that their priorities will not be reflected in research programs conducted by DHS and are further concerned about how the changes in funding will impact current USDA research. Others, however, see it as an opportunity to bring new resources into agriculture to meet high priority needs.

HOMELAND SECURITY UNOBLIGATED BALANCES

Question. You state in your written testimony that of the $328 million provided to USDA for Homeland Security purposes, $184.3 million remains to be obligated. Documents from the Administration indicate that USDA is one of the Departments to have obligated the smallest percentage of Homeland Security-related appropriations since the terrorist attacks of September 11, 2001.

Please explain why USDA has taken longer than most Departments to obligate these funds and provide specific information on how and when the $184.3 million which remains will be obligated.

Answer. I wanted to make sure the Department took the time necessary to intensively review our needs and direct the funds where critical security gaps were identified.

Many of the activities being funded through the Homeland Security supplemental require significant levels of planning prior to the obligation of funds. In the case of laboratory enhancements, which represent 27 percent of the funds provided, significant planning and design work must precede construction. Additionally, we have allocated funds to cover salary and benefit costs for new employees. Although we have made good progress in recruiting and filling these positions, obligations will appear incrementally as salary payments are made.

The Department plans on obligating the majority of the remaining funds by the end of fiscal year 2003. However, certain funds, including those for construction and those awaiting the results of security assessments are expected to be obligated in 2004. Additionally, approximately $30.8 million of the $328 million is being transferred to the Department of Homeland Security for the laboratory at Plum Island.

EXTENSION DISASTER EDUCATION NETWORK

Question. It has been noted that the USDA Extension Service, with its state and county network, can provide substantial contributions to Homeland Security in the nature of a first-responder in rural areas. In fact, the Extension Disaster Education Network (EDEN) is in place to serve in this capacity.

Does USDA intend to utilize the EDEN system as a Homeland Security tool, and if so, in what manner?

Answer. USDA is currently utilizing the EDEN system as a Homeland Security tool and intends to support efforts to increase that utilization in the future. The EDEN system is an internet based tool for providing relevant information on disaster preparedness, mitigation and recovery to Extension educators throughout the Nation. USDA is using the system to provide relevant information on homeland security to Extension educators who can use it for training and educating farmers, ranchers and others who are likely to be first responders in rural areas.

Question. What level of funding is in the President's fiscal year 2004 budget for the EDEN system?

Answer. Approximately $500,000 of the $16,000,000 in the Homeland Security Program line of Integrated Activities in the CSREES fiscal year 2004 President's Budget will be used to support EDEN homeland security efforts.

Question. Has the EDEN system, or any other USDA program, been used to improve Homeland Security preparations at the farm level? What evidence is there that individual farmers are taking steps to improve homeland security? Please describe funds in the President's fiscal year 2004 budget to help individual farmers be better prepared in the area of Homeland Security.

Answer. EDEN system based information has been used to educate farmers and farm advisors on the identification and appropriate responses to suspected introductions of plant and animal diseases. This is being done through linking EDEN with the Plant and Animal Disease Diagnostic Networks and with APHIS information systems. EDEN is being used to survey Extension educators on their use of EDEN based information in their farmer and rancher education programs. In addition to the direct funding for EDEN, education programs will be developed through funding of integrated activities in the National Research Initiative (NRI). $500,000 in fiscal year 2003 NRI funds are being used for a National Training Program for Agricultural Homeland Security. More funds could be allocated for this purpose in fiscal year 2004 depending on the fiscal year 2004 appropriation language, and if the number and quality of proposals indicate it would be a good investment.

FOOD SAFETY

Question. The President's budget request includes an increase of nearly $5 million, in part, to develop the laboratory capability to respond to chemical terrorism. This increase will include the construction and equipping of a Biosafety Level 3 (BL–3) facility within FSIS's Microbiological Outbreaks and Special Projects Unit in Athens, GA.

Has construction on this lab already started? When will it be completed?

Answer. In order to protect laboratory staff and to minimize the probability that the laboratory complex will become contaminated, FSIS will renovate existing laboratory space at the Russell Research Center in Athens, Georgia. Renovation of this

facility began in March of 2003, and is expected to be completed in February of 2004.

Question. What will the total cost for lab construction and equipment be? Will additional increases be requested in the future? Please provide the planned timeline and budget for completion and equipment of this laboratory.

Answer. The total cost for renovating existing space to construct the Biosafety Level-3 facility is $2.1 million. The President's 2004 Budget does not request additional funding for this laboratory. The planned timeline and budget for completion and equipment of laboratory are as follows:

Dates	Performance milestones	Budget
Mar 2002	Purchase lab equipment	$117,000
Jun 2002	Purchase lab equipment	66,000
Aug 2002	Purchase lab equipment	68,000
Sep 2002	Construction Contract to bring to BL–3 level	1,660,000
	Other Costs	140,000
Feb 2004	Construction Completed.	
Total Costs		2,051,000

Question. What, specifically, will the laboratory be used for?

Answer. In the event that there is a major threat condition, the BL–3 laboratory will be a critical resource that will allow FSIS to handle and screen large numbers of food samples for the presence of biological, chemical, and radiological agents. It will also give FSIS the capability to handle samples potentially contaminated with unknown and mixed agents. This facility will also protect staff and minimize the probability that the entire laboratory complex will become contaminated during the analysis of agents that would mostly be used to contaminate the food supply.

FSIS REORGANIZATION

Question. The January, 2003 FSIS report on the Food Security Initiatives currently being undertaken by FSIS mentions the Food Biosecurity Action Team, and states that "a planned reorganization of FSIS is underway that includes a new homeland security office that will serve as a center for this team's functions." However, I see no specific mention of this Team or any planned reorganization in the President's budget request.

Is a reorganization being planned for FSIS? If so, please provide information on when will it take effect and what is being planned.

Answer. FSIS has developed a reorganization plan, which is currently under review.

Question. Will Congress receive prior notification of any reorganization?

Answer. Congress will be notified as required by the 2003 Appropriations Act.

Question. Will this reorganization result in the need to reprogram any of the funds requested in the President's budget?

Answer. The reorganization plan is under review. Therefore, we have not determined if there will be a need to reprogram any of the funds requested in the President's budget.

FOOT AND MOUTH DISEASE

Question. Please contrast the level and type of preparations the United States now has to contain an outbreak of Foot and Mouth Disease from those which the British had available at the time of the outbreak in the United Kingdom in 2001. How have the British modified their level of preparation since then? What actions have the United States taken since then?

Answer. Since the British experience with foot-and-mouth disease (FMD) and the terrorist attacks of September 11, 2001, USDA has strengthened its guard against FMD and other animal health threats. USDA has bolstered the Emergency Management System (EMS), a joint Federal-State-industry effort to improve the ability of the United States to deal successfully with animal health emergencies ranging from natural disasters to introductions of foreign animal diseases. In March 2001, APHIS announced the availability of fiscal year 2001 funds for a grant program for the National Animal Health Emergency Management System to increase the level of animal health emergency preparedness for the entire United States. Of the 67 grant applications received, APHIS was able to award 38 of them, totaling $1.8 million.

During the FMD outbreak in the United Kingdom, the United States responded to the United Kingdom's request for assistance on disease diagnosis and carcass re-

moval. More than 200 veterinarians from State agencies, private practice, universities, and other organizations from the United States took part in the control efforts. Another 125 Federal veterinarians from several agencies also participated, and the U.S. Environmental Protection Agency provided support for carcass disposal and burial. ARS scientists visited the main UK reference laboratory at Pirbright and assessed sampling protocols and diagnostic tools utilized throughout the outbreak. This experience, as well as the practice USDA gained in coordinating such a diverse group, will be beneficial in the event of future emergencies.

In fiscal year 2002, APHIS distributed approximately $18.5 million in cooperative agreements to the States and Tribal Lands to help bolster foreign animal disease (FAD) surveillance and preparedness. Currently, APHIS is working on distributing additional funds to the States and Tribal Lands to be used to help further bolster their FAD surveillance programs.

Additionally, APHIS developed and participated in many State level test exercises to increase the confidence and capability of the first responders to an animal health emergency in the United States. APHIS also participated in the development and implementation of an international animal health test exercise in Australia. In fiscal year 2002, APHIS offered FAD awareness and incident command system training to State veterinarians.

APHIS and the Cooperative State Research Education and Extension Service initiated a cohesive and coordinated national animal health laboratory network (NAHLN) in fiscal year 2002 with Homeland Security Supplemental funds. The network emulates a national strategy to meld the Nation's Federal, State, and local resources in order to respond to any type of animal health emergency, including bioterrorist events, newly emerging diseases, and FAD agents that threaten the Nation's food supply and public health. During fiscal year 2002, APHIS provided a total of $15.25 million in Homeland Security funding to 12 State diagnostic laboratories for activities such as improving biosecurity of facilities, communication of results, equipment, standardization of methods, and quality assurance.

Question. Please provide the USDA position on the need to make available a rapid test to detect the presence of Foot and Mouth Disease and the need to stockpile vaccines.

Answer. The availability of a rapid test to detect the presence of foot-and-mouth disease (FMD) would greatly help contain an outbreak should one ever occur here. ARS Scientists at Plum Island have developed and bench validated a rapid detection assay. The assay will be further validated by APHIS. In addition, two other rapid detection assays for FMD (one developed by the California Animal Health Diagnostic Laboratory System in conjunction with the Lawrence Livermore National Laboratory and one commercial assay developed by Dupont) will also be validated by APHIS.

Stockpiling is already occurring through the North American FMD Vaccine Bank, which stores FMD antigens that keep indefinitely and may be formulated into vaccine rapidly should an FMD outbreak occur. Given the many subtypes of the FMD virus, APHIS continues to add antigens to the Bank for needed subtypes.

Question. Does such a rapid test exist, and if so, why is it not deployed? If it does not exist, what is USDA doing to develop one?

Answer. ARS Scientists at Plum Island have developed and bench validated a rapid detection assay for foot-and-mouth Disease (FMD). This assay has been taken to the field and tested on samples from clinical cases of the disease, but more data and testing is required before these tests can be accepted as fully validated. The assay will be further validated by APHIS, via testing on samples of positive and negative controls. In addition, two other rapid detection assays for FMD (one developed by the California Animal Health Diagnostic Laboratory System in conjunction with the Lawrence Livermore National Laboratory and one commercial assay developed by Dupont) will also be validated by APHIS.

Question. To what extent are vaccines available? If there was a reported outbreak, how quickly could vaccines reach the effected herds?

Answer. Presently, our contributions, along with contributions from Mexico and Canada, assure the availability of 14.5 million doses of four strains of FMD vaccine. During fiscal year 2003, APHIS expects to add additional strains and bring the total number of available doses to 19.5 million. In the fiscal year 2004 President's budget, APHIS proposes to increase the availability of doses to 20.75 million at a cost of $560,000.

Once the North American FMD Vaccine Bank is supplied with the serotype of the outbreak, and the vaccine is available, the North American FMD Vaccine Bank will be able to supply approximately 300,000 vaccines to the affected areas within 3 days. If however, the North American FMD Vaccine Bank does not have a stockpile

of the needed vaccine, it could take as long as a month to produce the needed vaccines.

EXOTIC NEWCASTLE DISEASE

Question. It is my understanding that USDA developed a rapid test for Exotic Newcastle Disease more than 2 years ago, but has failed to speed the validation or deployment of this test in spite of admonishments from Congress. The recent outbreak of this disease indicates that USDA efforts at containment are badly inadequate.

Is not Exotic Newcastle Disease a virus that has been identified as a potential biological weapon agent?

Answer. I disagree that the USDA efforts at containment are badly inadequate. While the exotic Newcastle disease virus has been identified as a potential biological weapon agent, there is no evidence that this incident is the result of an intentional introduction.

Question. Why has USDA not validated and made available this test?

Answer. The United States Department of Agriculture, along with the California diagnostic laboratory system, has validated the rapid test for exotic Newcastle disease. Samples were used from the recent outbreak in California to validate the test. Presently, both the State of California and USDA's National Veterinary Services Laboratories are using the rapid test to sample commercial and backyard flocks. USDA officials have also offered the test to neighboring State diagnostic laboratories and to laboratories participating in the National Animal Health Laboratory Network. Training has been completed and once the laboratories pass a proficiency test, they will begin using the rapid test in national surveillance.

Question. To what extent does USDA believe the outbreak of Exotic Newcastle Disease is intentional or does USDA believe, as has been reported, that it was introduced by the illegal transportation of fighting birds? If the latter is the case, what is USDA doing to step up enforcement of bird fighting laws to prevent similar introductions in the future?

Answer. While USDA's investigation into the exotic Newcastle disease outbreak in Southern California has not provided a source of infection, the virus strain is genetically similar to a strain confirmed in Mexico in 2000. USDA does not believe the virus was introduced intentionally. There is no conclusive evidence to support the claims in the press that the disease was introduced by the illegal transportation of fighting birds. However, the movement of poultry species such as fighting birds does contribute to the spread of disease. USDA commonly intercepts illegally transported pet birds from Mexico and previous exotic Newcastle disease outbreaks have been attributed to birds from Mexico. In February 2003, USDA conducted a 30-day operation on the Mexican Border in Southern California to intercept birds and other prohibited items. During the operation, program officials intercepted three shipments of smuggled birds and two shipments of fighting cock spurs, resulting in the confiscation of six birds. All seized birds tested negative for END. Regulations in the new Farm Bill and legislation pending in California should help support improved enforcement of laws prohibiting the movement of fighting birds.

SECURITY ANALYSIS SYSTEM/UNITED STATES AGRICULTURE SYSTEM

Question. You are requesting additional funding for the SAS/USA system. The Agency received $1.7 million from Homeland Security Funds last fiscal year. With the large balance left in that fund, why is a separate line-item request needed?

Answer. ERS plans to obligate all of this $1.7 million before the end of fiscal year 2003. Currently, ERS is focusing on integrating many new databases to strengthen the fundamentals of the SAS/USA system to have information readily available for analysis for a variety of agriculture-related emergency situations. ERS has made substantial progress in gathering and incorporating data in the areas of transportation, agriculture production, and the locations of food processing facilities. Within the next 6 months, ERS will also be developing a very complex food contamination scenario that uses data to describe the flow of food material from production through processing and distribution channels to consumers. This scenario will concentrate on ground meat, ready-to-eat food, poultry, milk, and eggs.

For fiscal year 2004, ERS will use the $1 million in additional requested funding to finalize the food contamination scenario and construct a foot-and-mouth scenario, as well as to incorporate a more finely-defined spatial dimension (at the county level instead of the current State level) and economic dimension (about 500 business sectors instead of the current 132) into the system. ERS also plans to develop a more sophisticated economic model that includes feedback to project consumer reactions.

The Homeland Security funds have all been allocated to high priority efforts, and all such funds are expected to be obligated the end of fiscal year 2003.

COMPETITIVE SOURCING

Question. I am concerned that Administration directives on the subject of USDA Competitive Sourcing will result in substantial harm to employee morale and serious erosion of long-held public/private partnerships in the area of conservation and other mission areas important to Rural America.

Please provide a listing of all USDA activities that are being considered for competitive sourcing and the timetables for actions on this subject with a brief description of their current workload, responsibility, grade, ethnicity, gender and include persons with disabilities.

Answer. Currently USDA is considering approximately 6,600 positions for study under Competitive Sourcing guidelines during fiscal year 2003. These positions include functions such as Human Resources, Internet Technology, Debt Collection, Loan Operations, Program Reporting, Maintenance, Clerical, Geological analysis, Cartography, Soil conservation, Civil Engineering and Laboratory Technicians. About two thirds of the individuals filling these positions have been identified as male and about a third female, with an ethnicity of 8 percent African-American, 2.6 percent Hispanic, 1 percent Asian, 1 percent American Indian and less than 1 percent identified as disabled. The grades of these individuals range from GS–3 to GS–14. I will provide the listing you requested for the record.

[The information follows.]

Agency Responsible	Type of Work Load	Study Start Date	Expected Completion Date
FSA	Human Resources	6/1/2002	9/30/2003
	Information Technology	6/1/2002	9/30/2003
	Debt Collections	6/1/2002	9/30/2003
	Loan Operations	6/1/2002	9/30/2003
	Program Reporting	6/1/2002	9/30/2003
FAS	Data Collection	10/1/2002	9/30/2003
RMA	Administrative Support	8/1/2003	9/30/2003
FS	Information Technology Infrastructure	2/3/2003	2/15/2004
	Maintenance	2003 (various start dates)	9/30/2003
	Job Corp Center	4/3/2003	9/30/2003
	Information Technology Help Desk	10/15/2002	12/2/2003
	Content Analysis	TBD	TBD
NRCS	Administrative Support	12/1/2002	9/30/2003
	Geological Analysis	1/1/2003	9/30/2003
	Supply Warehouse and Distribution	12/1/2002	9/30/2003
	Cartography	1/1/2003	9/1/2004
	Soil Conservation Operations	12/1/2002	9/30/2003
	Soil Conservation Evaluation	12/1/2002	9/30/2003
	Civil Engineering and Analysis	12/18/2002	4/1/2004
RD	Centralized Service Center	10/8/2002	9/18/2003
	Operations and Service (Accounting)	10/8/2002	9/18/2003
	Human Resources (Training Support)	10/8/2002	9/18/2003
	Program Support	10/8/2002	9/18/2003
FNS	Administrative Support	9/30/2002	9/30/2003
AMS	Cotton Grading	8/1/2003	8/30/2003
APHIS	Laboratory Technicians	2/1/2003	9/30/2003
	Administrative Support	1/1/2002	6/1/2002
	Aircraft Pilot	2/1/2003	9/30/2003
	Tree Climbers	2/1/2003	9/30/2003
	Clerical Support	2/1/2002	9/30/2002
	Information Technology	9/1/2002	9/30/2003
	Laboratory Technicians	2/1/2003	9/30/2003
	Maintenance	2/1/2003	9/30/2003
	Medfly Production Workers	2/1/2003	9/30/2003
	Training	9/1/2002	TBD
REE	Facilities Operations & Maintenance Farm Services	5/1/2003	12/1/2004
	Facilities Operations & Maintenance Research Farming Service.	5/1/2003	12/1/2004
NFC	E-Payroll operations	10/1/2002	1/1/2003

Agency Responsible	Type of Work Load	Study Start Date	Expected Completion Date
	Information Graphics	7/1/2003	9/30/2003
	Printing and Reproduction	7/1/2003	9/30/2003
	Records Management	7/1/2003	9/30/2003
	Microfilming	7/1/2003	9/30/2003
	Nursing	7/1/2003	9/30/2003
	Internal Audit	7/1/2004	9/30/2003
	Claims Processing	7/1/2003	9/30/2003
	Telephone Management	7/1/2003	9/30/2003
	Cyber Security	7/1/2003	9/30/2003

Question. Please explain how you intend to consider the "competitive" value of the historical experience and cooperation with the private sector that Federal agencies currently posses?

Answer. USDA contracts extensively with the private sector. As contracts expire, USDA will continue to compete the work according to the Federal Acquisition Regulation to ensure full and open competition through the use of competitive procedures.

Question. Please explain how the Administration intends to ensure that any private entity that succeeds in a competitive bid over a current USDA agency will maintain, at least, current services over a prolonged period of time?

Answer. The Federal Acquisition Regulations that the Department and other Federal agencies follow provide a number of mechanisms to ensure that private entities provide services under contract to the government. During the evaluation of the contract bid proposals, the past performance of the vendor is considered when judging the ability of a private entity to perform at the required level. In addition, the contracting officer makes a determination to ensure that a private entity is making a responsible offer; this assessment includes possessing such items as: adequate resources, necessary organization and experience, accounting and operational controls, and a satisfactory performance record. Once a contract is awarded, the Department provides technical direction and guidance to the contractor to ensure satisfactory performance and timely delivery.

Question. For what period of time will private entities be expected to maintain a current level of services in order to be "competitive" in this process?

Answer. Typically, a contract will include a base year and four option years. Options will be exercised based on contract performance.

Question. Will there be liquidated damages assessed against any private entity that defaults in their contractual responsibilities over a period of time? If not, what means will be used to ensure long-term viability of Federal programs once they are no longer under the control of Federal employees?

Answer. The Federal Acquisition Regulation (FAR) provides for several remedies, depending upon the circumstances, should a contractor default in their contractual responsibilities. One such remedy is to terminate the contract. There are also various steps the government takes to notify contractors of unsatisfactory performance and to permit them to correct the situation, prior to engaging in the termination process. Should the contactor be terminated for default, the government may hold it liable for any additional costs resulting from reprocurement. Generally, sound contract administration practices should result in satisfactory performance by most contractors. Use of positive and negative financial incentives, in conjunction with the use of a performance-based work statement, will also assist in ensuring quality contractor performance.

Question. The Centralized Servicing Center's bankruptcy division is an example of potential out-sourcing. If the government wins this competition, as I understand, a contract will have to estimate the number of bankruptcies that would be completed for a year. As the year proceeds, if the number is less, the Agency will have to modify the contract down. If the numbers come in higher as the year proceeds, the Agency will have to modify once again and provide additional resources including FTEs. In addition, if by chance there is a surge in foreclosures, the Agency would be prevented from transferring some of this work from the bankruptcy division to the foreclosure division to temporarily handle the backlog. With the uncertainties in the economy and an ever changing housing market, does this make sense to reach efficiencies and provide good service to the customers? Why was the CSC even considered?

Answer. Estimated workload requirements are included as part of the Performance Work Statement (PWS) in the solicitation. These estimates take into account workload variations. Additionally, the solicitation states, "The actual specific work-

load that the Provider will experience during the performance period is subject to annual review and may vary from the estimated workloads shown in the PWS by a much as 10 percent." Both government and potential industry offerors are aware that their staffing approach must be flexible enough to accommodate the fluctuations in workload.

Upon completion of the study, the Centralized Service Center (CSC) will continue to be flexible in meeting the needs of their customers. Further, we believe that the organization will actually have improved control and management capability through its performance measures and quality assurance procedures.

Since the CSC performs mortgage loan servicing functions that are similar to loan servicing functions performed in the private mortgage industry, this similarity makes the Center a good candidate.

Question. I also understand the correspondence unit in the national office for Rural Development will be contracted out, even though the overall competitive sourcing evaluations are not complete. A large percentage of these letters are from Congress. The Federal managers of the contract will have to ensure the complex policy, program and political issues are dealt with appropriately. How will an outside source with no historical knowledge of the internal workings of the Department, relationships with the programs and Congress provide savings and not simply add another layer of oversight?

Answer. The Rural Development Correspondence Unit does its work by obtaining input on policy, program and political matters from Rural Development policy officials and staff. The unit itself does not have the expertise to address such matters. Its functions are primarily administrative, such as keeping track of correspondence, using previously approved responses for handling routine correspondence and drafting appropriate responses based on the input it receives from other sources including National, State and local office staff. Such functions do not require a great deal of historical knowledge. Rather, they require only basic skills in communications and organization, which are readily available in the private sector work force.

Question. It is my understanding that the direct conversion provisions of the A–76 are directed to functions with 10 or fewer employees. These groups are not afforded the ability to compete. What is the percentage of minorities and persons with disabilities that could be impacted by this allowance?

Answer. For Rural Development, the number of FTEs impacted is 18, 12 of these individuals have been placed in other positions in the agency. Fifty percent (9) were minorities, and three of them were placed within the agency. Five have disabilities and three of them were placed within the agency.

Question. Since Thursday, January 23, 2003, 13 employees in the Rural Development Washington, D.C. office were given "Certificates of Expected Separation" under the Direct Conversion of the A–76. What is the Civil Rights Impact analysis of those employees, and have any Civil Rights Impact Analysis been conducted on any other potential A–76 RIF candidate?

Answer. I understand that Rural Development has performed a Civil Rights Impact Analysis on all potential impacted employees in the mission area. This analysis indicated that competitive sourcing in the Washington DC area will impact less than 2 percent of Rural Development's employees.

Question. I understand the same contractor, operating out of the same Headquarters Office in Virginia, is performing both the Performance Work Statement (PWS) and the Most Efficient Organization (MEO) on this A–76 study. Do you have concerns that this could result in a conflict of interest, and if so, can it be defended?

Answer. In accordance with OMB Circular A–76 and applicable Federal Acquisition Regulations, firewalls are required within the competitive sourcing process to ensure the government maintains the integrity of the process by preventing the occurrence of actual or perceived conflicts of interest. Rural Development has established written firewall procedures based on the most current OMB guidance, and requires compliance with that guidance by its contractors.

The Agriculture Appropriations Report, S. Rept. 107–41, stated as follows: "The Committee expects that none of the funds provided for Rural Development, Salaries and Expenses should be used to enter into or renew a contract for any activity that is best suited as an inherent function of government, without prior approval from the Committees on Appropriations of the House and Senate. Such activities many include, but are not limited to, any functions that affects eligibility determination, disbursement, collection or accounting for Government Subsidies provided under any of the direct or guaranteed loan programs of the Rural Development mission area or the Farm Service Agency. Further, the Secretary shall provide a report to the Committees on Appropriations of the House and Senate by March 1, 2002, and all plans by the Department to enter into contracts to carry out any of the previously stated activities."

Clearly it is the intent of Congress that any function that affects eligibility determination, disbursement, collection or accounting for government subsidies provided under any of the direct or guaranteed loan programs of the Rural Development mission area is inherently governmental and should not be subjected to either competition or direct diversion to the private sector.

Pursuant to the above, was a report provided to the Committees of the House and Senate on plans to enter into contracts to carry out any of these activities. The answer on March 6, 2002, from Deputy Under Secretary Neruda stated: "Rural Development contracting officers have not entered into any contract for inherently governmental services and do not plan to do so."

Question. Don't some, if not all, of the services, contained in the aforementioned fiscal year 2003 Competitive Sourcing plan for Rural Development affect eligibility determination, disbursement, collection of accounting for Government subsidies provided under any of the direct or guaranteed loan programs of the Rural Development mission area?

Answer. Rural Development's competitive sourcing plan does not include any of the aforementioned functions.

Question. It is my understanding that in its fiscal year 2000 Fair Act Inventory, Rural Development listed some 929 FTEs as commercial, with the remaining approximate 6,000 FTEs in Rural Development considered being inherently governmental. Of the 929 FTEs listed as commercial in fiscal year 2000, approximated 139 were coded "Reason A specifically exempted by the agency from OMB Circular A–76 cost comparisons as core functions," and 788 were coded "Reason B subject to cost comparison or direct conversion requirements." Then in its fiscal year 2001 FAIR Act Inventory Rural Development listed a total of only 183 FTEs as commercial activities on its FAIR Act inventory of its approximately 7,000 employees which seems more in line with the intent of Congress as expressed in the fiscal year 2002 Agriculture Appropriations report language. Of these approximately 58 were listed with Reason Code A, and 125 with Reason Code B. The fiscal year 2002 FAIR Act Inventory was posted on the OCFO website on or about February 11, 2003. It now lists ALL of Rural Development activities and employees as commercial. Can you explain the fluctuations in what is being considered as inherently governmental vs. what is being considered as commercial activities?

Answer. The FAIR Act inventory requirements have changed over time. The fiscal year 2000 FAIR Act inventory required only "Commercial" functions. Rural Development identified only Headquarters functions in that inventory; Field Offices were not reported and no inherently governmental functions were identified. OMB did not approve Rural Development's fiscal year 2001 FAIR Act Inventory. Rural Development's fiscal year 2002 FAIR Act inventory reflects 20 percent of its total FTEs (7,020) as commercial.

Question. Have you considered the cost of Federal oversight as a factor in the cost of outsourcing?

Answer. Yes, the cost of oversight is routinely included in the study process.

UNAUTHORIZED USER FEES

Question. The President's fiscal year 2004 budget request includes assumed revenues of $159 million from unauthorized user fees among the following programs: $8 million in connection with the Animal and Plant Health Inspection Service, $29 million in connection with the Grain Inspection Packers and Stockyards Administration, and $122 million in connection with the Food Safety Inspection Service. The jurisdiction for authorizing such fees does not lie with this Committee.

Notwithstanding the fact that the Budget Appendix for the President's fiscal year 2003 Budget submission indicates appropriation levels based on current law, Table S–8 on page 318 of the President's Budget indicates the total discretionary spending amount for this subcommittee is $16.9 billion, which does include assumptions that the total $159 million in assumed revenues from these fees will be available. It is from this table that the subcommittee's allocation will be based.

Section 723 of Division A of Public Law 108–7 requires information in regard to reductions in the President's budget that must occur in the event such user fees are not timely authorized. Please provide that information.

Answer. If the user fee proposals were not enacted, appropriations would need to be provided to adequately support FSIS programs. We respectfully defer to the appropriations and authorizing committees to determine the outcome of these proposals.

Question. Have the Congressional authorizing committees received your proposed legislation in regard to these fees, and if not, when will they receive it?

Answer. The Department has not submitted the proposed legislation to Congress. We expect to forward a package by the end of June.

Question. Since the President assumes the $159 million in revenues from these fees will be available, would you similarly have no objections if we also assume that the authorizing committees will provide you the authority to collect these fees? Therefore, do you have no objection if we, consistent with the President's S–8 Table, appropriate what the President wants us to appropriate as suggested by Table S–8, and provide you with the ability, subject to authorization, to collect these fees? Do you have any objection to working with the authorizing committees in this fashion?

Answer. We will be glad to work with both the appropriations and authorizing committees to give the Department the ability to collect and retain the user fees.

EEOC REVIEW

Question. The March 10th article in the Washington Post on USDA Civil Rights refers to an EEOC review that was very critical of the Department's entire civil rights process.

When will this division come into compliance with time frames, tracking, proper oversight, etc.?

Answer. Vernon Parker, USDA's first Assistant Secretary for Civil Rights, was sworn in on April 1, 2003, and is exploring aggressive actions to improve civil rights at USDA.

Parker is developing a plan with a number of initiatives that will dovetail with the United States Equal Employment Opportunity Commission's (EEOC's) recommendations. The initiatives will address timeliness, data tracking and oversight responsibilities. USDA plans to fully comply with all the recommendations in EEOC's report and has begun implementing and tracking the actions required to comply with the recommendations.

FAIR HOUSING

Question. In 2001 and 2002, the Rural Housing Service conducted Fair Housing testing on management companies, banks, and USDA employees. I understand that some results have indicated violation in the tested areas.

When will the results of this data be made available to Congress and have you taken any steps against violators including USDA employees?

Answer. All of the Rural Development testing projects are scheduled for completion, with the Contractor's final reports issued, by September 2003. Once the final reports are issued, corrective action plans are developed and our summaries analysis completed I will be in a position to provide you with a final report. We anticipate this being completed by November 2003.

Question. In light of the President's initiative on increasing minority housing, do you think this activity should continue, and if so, will you provide funding within the Rural Development S&E budget?

Answer. Yes, testing should continue as part of the President's initiative. We feel this is a tool to evaluate Rural Development's program administration and better direct appropriate funding to various programs. Funding for this activity is included within Rural Development's S&E account for 2003 and the 2004 Budget.

Question. What are your plans for complying with the President's Housing Initiative including Fair Housing?

Answer. Based upon the 2000 Census, Rural America is comprised of 13 percent minorities; however, over 20 percent of USDA's homeownership programs benefit rural minority families. While USDA has an excellent track record at assisting minority families, we feel we can do more. At the White House Conference on Increasing Minority Homeownership on October 15, 2002, both USDA Secretary Ann Veneman and Housing and Urban Development (HUD) Secretary Mel Martinez announced their individual plans to increase minority homeownership. USDA's Five Star Commitment includes (1) lowering fees to reduce barriers to minority homeownership; (2) doubling the number of self-help housing participants by 2010; (3) increasing participation by minority lenders through outreach; (4) promoting credit counseling and homeownership education; and (5) monitoring lending activities to ensure a 10 percent increase.

Benchmarks and performance goals have been issued to each State, and each State has developed their own plans to meet the Department's Minority Homeownership goals by the decade. In addition, USDA agreed to submit reports to the White House on the progress made by HUD, VA and USDA in meeting the President's initiative.

Question. I understand that the Department of Justice's Office of Legal Counsel has indicated the HUD Fair Housing Division can't prosecute USDA employees that violate the Fair Housing Act. What steps are you taking to ensure USDA employees comply with the Fair Housing Act and what steps will you take or have taken against violators?

Answer. Rural Development has in place appropriate regulations that can be used when Rural Development employees violate civil rights laws especially the Fair Housing Act. Rural Development Instruction 1901–E, the Table of Disciplinary Penalties and employee evaluations are the tools Rural Development will use to ensure accountability to violations of civil rights laws.

The Rural Development Civil Rights Staff (CRS), in conjunction with Program Area Divisions, conduct annual field reviews, Management Control Reviews, State Internal Reviews, as well as Civil Rights Compliance Reviews. These different types of reviews are all part of regulations and the CRS is working toward providing training to all Rural Development employees in the area of civil rights and program reviews. Rural Development's Civil Rights Instruction require that one third of its portfolio is to be reviewed by trained civil rights compliance persons each year. Additionally, Rural Development has collateral and full time State Civil Right Coordinator/Managers in each State office.

Question. In the last administration, HUD and USDA entered into a memorandum of understanding on Fair Housing. Is this still in place and has it been altered?

Answer. Yes, the Memorandum of Understanding is still in place and it has not been altered.

WORKING CAPTIAL FUND

Question. The fiscal year 2003 enacted bill provided $12,000,000 for acquisition of remote mirroring backup technology and requires a feasibility study to be submitted to both the House and Senate Appropriation Committees.

Can you give us an estimate of when you would complete this study?

Answer. The study should be completed by August 2003.

Question. Will it include various locations, including existing USDA Federal facilities sites?

Answer. The National Finance Center is in the process of gathering information required for a feasibility study. The study will look at appropriate locations. However, until the study is completed, we will not know whether a solution will involve one or more locations, or the use of existing Federal facilities sites.

Question. Do you anticipate competition for one finance center for the entire Federal Government in the future?

Answer. The Office of Management and Budget (OMB) and the Office of Personnel Management (OPM) may look at this issue in the future. Earlier this year, OPM conducted an internal competition to consolidate 22 Federal payroll providers and recommended that two payroll partnerships be formed. USDA's National Finance Center and the Department of Interior will form one partnership and the Department of Defense will partner with the General Services Administration. OMB and OPM expect this consolidation to save the Federal Government an estimated $1.2 billion over the next decade.

OUTREACH TO SOCIALLY DISADVANTAGED FARMERS

Question. What is the status of the funding for the 2501 program with funds made available in 2002 and 2003 combined?

Answer. A request for applications was released November 6, 2002 to begin the solicitation process. The deadline for proposals to be submitted was January 31, 2003. We received 85 proposals with the following types of organizations represented in the applications: 25 percent from 1890 institutions; 35 percent from community based organizations; 15 percent from 1994 institutions and tribal organizations; 25 percent from other higher education institutions. Applications came from the following regions: Western region 35 percent; Southern 38 percent; Northeast 9 percent; North Central 18 percent and 4 percent were multi-state applications. The peer review panel has been convened and awards have been recommended. We anticipate that the grants will be announced in early summer once the award process is completed.

Question. Will you establish performance measures in this program?

Answer. Yes. The following two performance measures are under development:

—*Level of Participation.*—There will be an increase in participation in USDA farm assistance programs among socially disadvantaged farmers and ranchers.

—*Minority Participation.*—There will be an increase in the number of minorities involved in CSREES-funded education programs (African Americans, Native Americans, Alaskan Natives, Hispanics, Asians, and Pacific Islanders).

CHRONIC WASTING DISEASE/ASSISTANCE TO WISCONSIN

Question. Last year, the sudden presence of chronic wasting disease in Wisconsin deer populations caused serious concern among the state's livestock and natural resource sectors. I want to thank you for the assistance you provided to Wisconsin. As is the case with many State governments, budget shortfalls in Wisconsin have made it very difficult for the State to direct the resources needed to contain and eradicate this disease. Last year, we appropriated $14.9 million to combat chronic wasting disease of which Wisconsin received only $800,000—far below the State's needs. I understand other States have similar shortfalls.

Can you explain how the $14.9 million was allocated and what additional resources you plan to make available to Wisconsin in fiscal year 2003?

Answer. Slightly more than half (about $7.6 million) of the available fiscal year 2003 appropriations was directed to deal with CWD in wild herds, of which $4 million was for cooperative agreements with States. To deal with the disease in wild herds, APHIS worked with the International Association of Fish and Wildlife Agencies in determining the formulas for distributing these funds. Level-1 States, including Wisconsin, are eligible to receive $93,750 for surveillance activities and $125,000 for management activities. Final funding amounts are based on the State's risk level and the needs outlined in the surveillance and management plan accompanying each State's application for funding.

In addition to the $4 million reserved for State management and surveillance assistance, APHIS also provides support for the diagnostic testing of samples collected during the 2002–2003 hunting season. Funding for diagnostic testing was based on the initial number of samples projected in a given State's approved surveillance plan. APHIS estimates that the allocation for the testing of Wisconsin samples will be $232,000 given greater-than-expected testing efficiencies; this amount will cover the 41,000 samples collected in the State during the 2002–2003 hunting season. Payments will be directed to the certified laboratories that are conducting the tests. APHIS has already provided the State laboratory of Wisconsin with $100,000 for the reagents used to conduct the diagnostic testing.

We estimate that APHIS' total funding to Wisconsin in fiscal year 2003 to address CWD in free-ranging cervids will reach approximately $550,750. We will make a final allocation of funds after all surveillance and management plans submitted by State wildlife agencies have been reviewed. Should funds remain after we meet all approved requests, we will consider additional allocations. Such allocations would focus on level-1 States like Wisconsin. Also we will consider emergency developments such as CWD detection in wild cervids that occurred in Wisconsin last year.

A sizable portion of the resources devoted to the captive cervid program will support the program in Wisconsin. APHIS will be covering testing, indemnity, and disposal costs associated with the depopulation of CWD-positive and CWD-exposed captive cervid herds. In addition, APHIS hired a veterinary medical officer (VMO) in September 2002 who is stationed in Madison, Wisconsin. The Wisconsin VMO is responsible for coordinating indemnity and disposal activities in the region.

Question. I and other members of the Wisconsin Congressional delegation recently sent you a letter on ways you can release more funds to Wisconsin. Please respond on that issue.

Answer. APHIS appreciates the support we have received from the Wisconsin Congressional delegation in our efforts to monitor and control the spread of CWD in captive and wild cervid herds. Before finalizing the fiscal year 2003 CWD allocation, we are waiting to receive about 20 more State applications for wildlife surveillance and management funds, for which we have set aside $4 million. After we have received and reviewed all applications and have allocated funds based on these submissions, we will work with the International Association of Fish and Wildlife Agencies to redistribute any remaining funds to high-risk States. We recognize the need for funding in Wisconsin, and we will take these needs into account when redistributing any unallocated funds.

Question. The State of Wisconsin has requested $5.5 million in Federal funds for CWD activities in fiscal year 2004. Will the President's budget request provide Wisconsin with the necessary resources to meet this need?

Answer. During fiscal year 2004, we anticipate distributing CWD funds to States based on their level of risk, as we are doing in fiscal year 2003. Wisconsin is among those States that rank in the highest risk category.

During fiscal year 2003, we project that we will provide approximately $550,750 to Wisconsin for CWD management, surveillance, and testing of wild cervids. We may also be providing additional resources to the State if unallocated funds remain from the $4 million we set aside for wildlife surveillance and management. In addition, APHIS will be covering testing, indemnity, and disposal costs associated with the depopulation of CWD-positive and CWD-exposed captive cervid herds in the State. We have also stationed a permanent CWD VMO in Madison, Wisconsin, to carry out program activities.

Given that Congress provided a level of funding in fiscal year 2003 that was nearly equal to the amount asked for in the President's fiscal year 2004 budget request, a significant increase in any one State's level of funding in fiscal year 2004 would require other States to accept significant decreases. Barring any unforeseen emergencies, we anticipate CWD funding levels in fiscal year 2004 will correspond closely to the amounts we are providing to the States during fiscal year 2003.

ANIMAL CARE

Question. Please provide information regarding the number of investigation and enforcement actions undertaken in fiscal year 2002, and estimated for fiscal years 2003 and 2004, in regard to the Animal Welfare Act.

Answer. APHIS conducted 12,174 AWA inspections and 143 formal investigations of potential AWA violations in fiscal year 2002. The investigations resulted in 137 official warnings, 97 stipulated agreements, 85 formal decisions by administrative law judges, $586,577 in civil penalties, and 22 license suspensions and revocations. As of May 2003, the number of inspections for fiscal year 2003 has increased by 16 percent over the fiscal year 2002 inspection level. Based on this increase, we estimate that we will conduct 14,121 inspections in fiscal year 2003. With level funding, the number would remain roughly the same in fiscal year 2004.

Question. Please describe how USDA has used the increases for Animal Welfare Act-related activities in fiscal year 2002, and estimated for fiscal year 2003, above the President's requested levels.

Answer. In fiscal year 2002, APHIS hired 17 new inspectors, increasing the AWA inspection force to 99, and increased the number of inspections by 2 percent over fiscal year 2001. We also increased outreach efforts by conducting canine care workshops for licensed dog dealers in seven locations. In fiscal year 2003, we are increasing the inspection force to 100. With the newly-trained inspectors that were hired in fiscal year 2002, we are increasing inspections by 16 percent this fiscal year. To increase the effectiveness of the inspection and enforcement process, we have upgraded our database and the equipment used by inspectors. We are also continuing to conduct canine care seminars for dog dealers and have created a seminar on caring for large, exotic and wild cats. Additionally, program officials have participated in training sessions for Institutional Animal Care and Use Committees at registered research facilities and conducted a seminar in conjunction with the Animal Welfare Information Center on searching for alternatives to animal testing for researchers. We are working to formalize these types of outreach efforts.

Question. To what extent have the additional funds for Animal Welfare investigations increased the demand for additional resources for enforcement activities?

Answer. The inspectors hired in fiscal year 2002 are now fully trained and inspections are up 16 percent for fiscal year 2003. We estimate that the number of formal investigations and enforcement actions required will increase as well. As of May 2003, we have already conducted 132 formal investigations into potential Animal Welfare violations compared to the 143 conducted during all of fiscal year 2002.

Question. Please explain actions taken by USDA to enforce violations of bird and animal fighting statutes. Do you support directing enforcement of these statutes through the Office of Inspector General or through the enforcement programs of APHIS?

Answer. We believe that animal fighting statutes must be enforced primarily through the Office of Inspector General (OIG), USDA's law enforcement arm, with the assistance of APHIS investigators. Most animal fighting ventures are accompanied by other illegal activity, such as sales of illegal drugs and firearms. Investigations into these types of violations are inherently dangerous and require the expertise of trained and equipped law enforcement personnel and the participation of State and local law enforcement agencies. OIG frequently cooperates with these agencies and can more effectively and safely lead such investigations.

Since January 2003, OIG has assisted in three Federal prosecutions for the smuggling of fighting cocks and two investigations of domestic fighting cock operations. Because the three prosecutions involved smuggling, the U.S. attorney was able to charge the defendants with felonies. In the two domestic fighting cock investiga-

tions, over 1,500 fighting cocks were seized. Additionally, APHIS is reviewing epidemiological evidence to determine whether the exotic Newcastle disease outbreak in California and other nearby States resulted from the movement of fighting birds.

MOLTING RESEARCH

Question. It has been reported that the egg production industry has invested in research to maintain levels of production without the practice of "molting" their flocks. Do you have any information regarding research in this area, is USDA engaged in any such research, and is there any reason there should not be a prohibition to this practice?

Answer. The egg production industry is funding research directed at assessing non-feed versus feed withdrawal methods to induce molting, which contrasts greatly from maintaining production without the practice of molting. The United Egg Producers is funding research at three different universities: the University of Illinois, the University of Nebraska, and North Carolina State University. The U.S. Poultry and Egg Association's website (www.poultryegg.org) reveals funding for three proposals for this year, two at North Carolina State University and one at Virginia Polytechnic Institute and State University. Additionally, ARS is conducting both physiological and behavioral research in the area of alternatives to induce molting through feed withdrawal. The Department is currently in the process of responding to a Congressional directive, Senate Report 107–41, which discusses current practices and molting alternatives as well as the use and consequences of molting as a management tool.

Question. While there has been significant publicity to problems regarding humane handling of livestock during slaughter operations, there is a growing concern among the American people in regard to the treatment of livestock during the production phase. Since the Animal Welfare Act does not apply to poultry or livestock, would you support a study to provide recommendations on humane treatment of farm animals?

Answer. Since USDA has no authority to regulate humane handling of poultry or livestock, such a report would have to address authorities to implement any recommendations.

WILDLIFE SERVICES

Question. Please describe progress in adapting additional non-lethal methods of animal control through the Wildlife Services programs.

Answer. APHIS Wildlife Services has made progress in the following areas:

Having developed an effective non-lethal Radio-Activated Guard (RAG), APHIS is working on reducing the relatively high costs of the device.

Substantial efforts have been made towards the development and evaluation of an effective non-lethal Movement-Activated Guard (MAG) system to protect livestock from various large predators, including wolves, black bears, and eagles. MAG systems are more flexible in their application than RAG systems although they have a smaller, effective range. The cost of these systems is likely to be less than the cost of RAG units, making them more practical for routine livestock protection.

NWRC scientists are now in the process of testing a new breakaway snare design with great promise as an effective remote collaring system for both coyotes and wolves.

Substantial efforts continue to develop new and effective capture technologies, including establishment of a temporary duty assignment for APHIS wildlife specialists to work with National Wildlife Research Center (NWRC) scientists to test and to improve cable restraint devices that could serve as practical alternatives to foothold traps under some circumstances. Additionally, in cooperation with APHIS operational personnel in Arizona and New Mexico, the U.S. Fish and Wildlife Service, Defenders of Wildlife, and the Arizona and New Mexico wildlife agencies, NWRC is planning to investigate sustainable livestock grazing regimes that could minimize predation opportunities by Mexican wolves. As part of these studies and investigations elsewhere, NWRC scientists are developing alert systems to warn ranchers when predators are in the vicinity of livestock.

APHIS has established cooperative agreements with two universities and a private research firm to foster collaborative research on reproductive inhibitions, economics of non-lethal management strategies, and the development of baiting systems to deliver wildlife pharmaceuticals.

APHIS has applied commercially available repellents and fencing to protect forest resources from beaver damage.

APHIS has documented the effectiveness of vulture effigies and low-powered lasers as dispersal methods at vulture roosting sites.

Question. Please provide information in regard to losses to production agriculture and other costs (such as costs related to traffic accidents, costs to communities, etc.) from wildlife whose control is under the jurisdiction of Wildlife Services.

Answer. According to Resolving Human-Wildlife Conflicts by Michael Conover, 2001, wildlife causes an estimated $23.3 billion in damages to the United States annually. Damage to agricultural producers is approximately $4.5 billion annually; more than half of all farmers and ranchers experience some kind of wildlife damage each year. APHIS' efforts to protect agricultural resources include managing wildlife predation to livestock and wildlife damage to a variety of crops (e.g., rice, sunflowers). In addition, APHIS conducts beaver management activities to reduce loss to the timber industry, which is approximately $3.4 billion annually.

APHIS works to reduce deer populations in heavily populated areas in order to increase public safety. Damage from deer-automobile collisions is approximately $1.6 billion annually and results in approximately 29,000 human injuries each year. Damage from bird-aircraft collisions is about $300 million annually, while also posing a serious safety hazard to flight crews and passengers.

Other wildlife damage includes damage to metropolitan households (approximately $8.3 billion annually) and damage to rural households (approximately $4.2 billion). APHIS provides technical assistance and frequently loans equipment to resolve wildlife damage to residential property.

The power interruptions caused by Brown Tree Snakes (BTS) on Guam cause a multitude of problems that have been valued at over $1 million, ranging from food spoilage to computer failures. BTS frequently invade poultry houses, homes, and yards to consume domestic poultry, eggs, pet birds, and small mammals associated with residential areas. APHIS has a BTS control program in Guam and conducts activities to prevent the introduction of BTS into Hawaii through aircraft and cargo transport.

Question. Please provide information in regard to control of wolves in the Upper Midwest.

Answer. As the Eastern timber wolf population continues to increase in Minnesota, Michigan, and Wisconsin, so have the requests for assistance with wolf predation. The U.S. Fish and Wildlife Service (FWS) estimates the number of wolves to be over 2,600 in Minnesota, 325 in Michigan, and 360 in Wisconsin. In Minnesota alone, APHIS responded to 218 requests for assistance with wolf predation on livestock and other domestic animals during fiscal year 2002. APHIS also hired a wolf damage management specialist to assist with management activities related to the increasing wolf population within the State of Michigan. There has been an increase in the wolf population in Wisconsin at a rate of approximately 20 percent per year, and the public is increasingly intolerant of wolf conflicts.

In fiscal year 2002, we continued to coordinate wolf depredation control activities with the Wisconsin Department of Natural Resources (WDNR) and the FWS. APHIS received 80 wolf depredation complaints in fiscal year 2002 and verified 20 of these conflicts as either probable or confirmed wolf depredation. The WDNR requested APHIS conduct control operations, which resulted in APHIS capturing and relocating 18 wolves to resolve livestock depredations. With the additional funding Congress provided in fiscal year 2003, we are in the process of hiring wildlife specialists and procuring necessary equipment and supplies to enhance response to wolf depredation in the Upper Midwest.

COMPREHENSIVE FARMERS' MARKET PROGRAM

Question. In the fiscal year 2003 conference report, language was included that encouraged research on creating a broad Farmers' Market Program, that would take into account all of the activities currently provided in the Senior and WIC Farmers' Market Nutrition Programs, as well as the recently authorized Farmers' Market Promotion Program. A report was requested by March 1, 2003. What is the status of this report? Please summarize its contents.

Answer. On May 15, 2003, a letter reporting on this subject was sent to the House and Senate Appropriations Committees. The letter recommends that responsibilities for administration of the affected programs remain unchanged at this time. This recommendation is based on the relationship of the farmers' market programs in terms of target populations served, administration of the programs at the State level, current infrastructure at the Food and Nutrition Service and Agriculture Marketing Service in terms of Federal oversight and monitoring, and the lack of appropriated funding available for the Farmers' Market Promotion Program. A copy of the letter is attached for the record.

[The information follows:]

U.S DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, DC, May 15, 2003.

Hon. TED STEVENS,
Chairman, Committee on Appropriations, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: Public Law 108–7, enacted February 20, 2003, directs the Under Secretary for Marketing and Regulatory Programs to work with the Under Secretary for Food, Nutrition, and Consumer Services to study the potential for a broad Farmers' Market Program within the Agricultural Marketing Service (AMS). Such a program would provide funding for the WIC Farmers' Market Nutrition Program (FMNP), the Senior Farmers' Market Nutrition Program (SFMNP), and the recently authorized Farmers' Market Promotion Program (FMPP). Public Law 108–7 requires that a report on this subject be provided to the House and Senate Committees on Appropriations by March 1, 2003.

As a result of our consultation, we are pleased to report our recommendations. As you are aware, both the FMNP and SFMNP are intended to enhance the health of their target populations by providing coupons directly to recipients that can be exchanged at farmers' markets, roadsides stands, and in the SFMNP community supported agriculture programs for the purchase of fresh fruits and vegetables. In many cases, the same office that operates the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) administers the FMNP and SFMNP. Only State-level governmental agencies and Federally recognized Indian tribal organizations can receive grant funds to administer the FMNP or SFMNP.

The Food and Nutrition Service (FNS) has successfully administered the FMNP and SFMNP since their inception. FNS' infrastructure includes seven regional offices that effectively provide oversight, technical assistance and monitoring of the programs. The FNS cost estimate associated with the administration of the FMNP and the SFMNP is $554,600 per fiscal year.

AMS facilitates cooperation and collaboration among agencies and organizations that promotes direct marketing and help agricultural producers benefit from the growing consumer interest in direct marketing, including promoting the development and operation of farmer's markets. As such, staff from AMS works closely with FNS staff to provide technical guidance and expertise on market developments aspects of the FMNP and SFMNP. Over the years, AMS has significantly increased its farmers direct marketing activities. Evidence of our success is the phenomenal growth in the number of farmer's markets nationwide.

The Farmers' Market Promotion Program is intended to support the development of farmers' markets and direct marketing opportunities for agricultural producers by providing funds directly to agricultural cooperatives; local governments; nonprofit corporations; public benefit corporations; economic development corporations; regional farmers' market authorities; or other entities as the Secretary may designate. Currently, no funding has been appropriated for this program.

Given the relationship of the farmer's market programs in terms of target populations served, administration at the State level, current infrastructure at FNS and AMS in terms of Federal oversight and monitoring, and no appropriated funding for the FMPP, we recommend that responsibilities for administration of the affected programs remain unchanged at this time.

Sincerely,

WILLIAM HAWKS,
Under Secretary, Marketing and Regulatory Programs.

ERIC M. BOST,
Under Secretary, Food, Nutrition and Consumer Services.

FOODS DONATED TO FOOD BANKS

Question. Please describe any authorities USDA has to assist public or private organizations with activities to collect donated crops or food from farms, restaurants and other entities and deliver this food to local food banks.

Answer. Under the Emergency Food Assistance Act, State and local agencies can use Emergency Food Assistance Program (TEFAP) administrative funds to pay costs associated with the transportation, processing, and packaging of foods obtained through gleaning and food recovery initiatives. Such activities complement our efforts to engage community-based organizations, including faith-based organizations, in providing nutrition assistance to those in need. In corresponding with State and local agencies, we continue to emphasize the excellent opportunity to increase the volume of fresh produce available to TEFAP recipients by using TEFAP administrative funds to support gleaning initiatives. The recovery and distribution of foods from restaurants and other congregate meal service sites are governed by State and

local Health Department regulations, and require an intensively organized local effort. While USDA does not play a significant role in these initiatives, we continue to remind State and local agencies that TEFAP administrative funds can be used to support them.

AGRICULTURAL MARKETING SERVICE

Question. There have been several recent reports of children becoming ill after eating school lunches. As the agency who purchases commodities for the school lunch program, please explain how you ensure that all commodities you purchase are safe for consumption, and what authorities you have to notify school districts if a problem is discovered. What information is AMS required to provide school districts regarding the commodities they are receiving? Is AMS considering any additional means to ensure that contaminated foods are not delivered to school districts, and if so, what is being considered? Further, what are the responsibilities of the individual school districts in relation to AMS? If a problem is discovered at the local level, are school districts required to notify AMS or another USDA agency?

Answer. The Agricultural Marketing Service (AMS) purchases commodities based on strict specifications that assure high standards of quality as well as safety. AMS purchase specifications rely on FSIS and FDA food safety safeguards, explicitly require monitoring beyond FSIS or FDA requirements of those safeguards, and require additional testing to meet food safety standards as deemed appropriate.

Because USDA donated products are produced under contract and certified by AMS employees as meeting these product specifications, AMS attempts to ensure that only products that meet the required processing sanitation or safety requirements are delivered to schools.

Further, when a plant that sells products to AMS becomes associated with a food safety issue, such as a recall of products in commercial trade, FSIS communicates such information about these problems to both AMS and FNS. If the products produced under contract to AMS are suspected to also be associated with the food safety problem, AMS provides the product destinations to FNS for them to notify the State Distributing Agencies so that suspected products are removed from the system.

However, as noted in a number of independent reports, many of the food safety issues that occur in the school lunch program associated with USDA donated products are ultimately found to have resulted from improper food handling within the school itself through cross-contamination or improper preparation and are not due to unwholesomeness of the USDA donated product as it was delivered to the school.

AMS provides item descriptions to FNS, which in turn provides the information to recipients. AMS also puts all of the specifications for the commodities it purchases on its website.

All of the involved agencies within USDA—AMS, FNS, FSIS, and FSA—are working to improve information systems used to assure that recipients as well as State Distributing Agencies are always immediately notified of suspected food safety issues involving foods purchased for the school lunch program.

AMS is an integral part of the Department's Commodity Hold and Recall Process which requires schools to report potential problems to FNS. By being a part of this process, AMS learns of problems associated with the products it procures so that corrective action can be taken in a timely manner.

If schools suspect a food safety issue, they are to immediately contact their local or State health department and FNS through its commodity hotline.

AMS IT CONSOLIDATION

Question. What is the total funding "saved" through IT consolidation? How was this number formulated?

Answer. The Department's total funding "saved" through IT consolidation is $16 million. These savings will be realized across the Department, through consolidated hardware and software procurements, as well as the reengineering of paper-based processes, such as data collection.

NON-FAT DRY MILK DONATION PILOT

Question. Please provide an update on the pilot project between USDA and the Milwaukee Hunger Task Force regarding the donation of non-fat dry milk.

Answer. We have worked with the Wisconsin Department of Health and Family Services, the Hunger Task Force of Milwaukee, and Alto Dairy to develop agreements under which non-fat dry milk will be made available for processing into mozzarella cheese for distribution through the Emergency Food Assistance Program. For purposes of this pilot, the agreements reflect a substantial reduction in reporting

and recordkeeping requirements traditionally imposed under processing agreements. We anticipate receiving information necessary for USDA to approve the agreement between the Hunger Task Force of Milwaukee and Alto Dairy in the very near future. Once the agreement is approved, USDA will arrange to have the non-fat dry milk shipped directly to Alto Dairy.

AGRICULTURAL MARKETING SERVICE

Question. What is the most updated estimate on the level of funds AMS plans on spending in fiscal year 2004 on surplus commodities that will be donated to food pantries, including the type and amount of commodities?

Answer. Consistent with statutory requirements, fiscal year 2004 surplus removal levels will depend on a number of factors for each possible commodity, including market demand, inventory levels, and production yields. The Food and Nutrition Service will consider program needs across the various Federal food and nutrition programs in determining the appropriate outlets for each commodity purchased. Beyond the commodities otherwise purchased through appropriations specific to food pantries and other programs, recent history would suggest a significant level of commodity donations for food pantries in fiscal year 2004.

COUNTRY OF ORIGIN LABELING—RECORDKEEPING COSTS

Question. Please provide an updated cost estimate on record-keeping costs associated with implementation of the voluntary Country of Origin Labeling measures.

Answer. Thus far, no retailer has chosen to implement the voluntary country of origin labeling guidelines, so there is no basis for updating the cost estimate for recordkeeping costs.

SECTION 32

Question. During fiscal year 2003, Section 32 funds were released for a livestock compensation program in a manner not suggested in the submission of the President's 2003 budget request or accompanying budget materials. This Committee was not provided prior notice of this action and, in fact, learned of it as it was announced publicly through a USDA broadcast.

Can you assure this Committee prior notification of any such future actions in regard to Section 32 funds or other program authorities?

Answer. We will keep the Committee informed of future major uses of Section 32 funds not included in the annual budget submission or that otherwise fall outside the normal use of these funds.

Question. Please provide information for estimates of fiscal year 2003 and 2004 Section 32 purchases of specialty crops as a means to comply with Farm Bill requirements.

Answer. For fiscal year 2003 through May 22, 2003, $135.9 million has been authorized for Section 32 purchases of fruits and vegetables. Actual, total Section 32 purchases for fruits and vegetables through May 22, 2003 are $69.2 million. We do not anticipate a problem in meeting the Farm Bill requirement for fruit and vegetable purchases in either fiscal year 2003 or 2004.

Question. Please provide current estimates for all Section 32 activities for fiscal years 2003 and 2004.

Answer. The Department expects to spend a total of $1,432.4 million of Section 32 funds in fiscal year 2003. This includes $897.0 million provided for drought relief through the Livestock Compensation Program and $25.6 million for AMS administrative expenses. The balance will primarily be available for commodity purchases. For fiscal year 2004, AMS anticipates expenditures of $821.6 million for commodity purchases.

GRAIN INSPECTION, PACKERS AND STOCKYARDS PROGRAM STUDIES

Question. Can you estimate the time frame for the $4.5 million packer concentration study?

Answer. GIPSA is committed to completing the study as quickly as possible consistent with the need to produce technically sound findings. This is a complex, data-intensive project. It is difficult to anticipate time requirements accurately before plans for the scope of the study have been finalized and without knowing what specific methodology and data needs will be proposed by potential contractors.

Major milestones include receiving public comments on plans for the study; finalizing the plans; establishing a 5- to 7-member academic peer review team; soliciting offers and awarding contracts; consolidating data needs of the contractors and developing data collection plans; obtaining Office of Management and Budget clearances

for data collection; collecting and analyzing data and preparing contractors' draft reports; reviewing contractors draft reports; finalizing contractors' reports; and preparing GIPSA's summary reports.

Question. Is a $500,000 study needed to review the Packers and Stockyards Act? Couldn't this be accomplished by the Department's staff without the additional cost?

Answer. The Packers and Stockyards Act of 1921 has not undergone any significant review since its enactment, despite the substantial and controversial structural changes experienced by the regulated industries. The request for an additional $500,000 to review the Packers and Stockyards Act primarily addresses the need for additional staff with expertise not currently residing within the Agency for a comprehensive review of the P&S Act. Use of existing staff to handle issues associated with the review of the P&S Act and regulations would also divert resources away from ongoing monitoring and compliance programs.

WAREHOUSE LICENSING

Question. Section 770 of Division A of Public Law 108–7 (the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2003) established certain limitations in regard to the licensing of grain warehouses. Please provide information in regard to this section and the current status protections for farmers in regard to licensed warehouses.

Answer. On August 5, 2002, the Department of Agriculture (USDA) published its final rule implementing the U.S. Warehouse Act of 2000 which clarified, for the first time, that Federal warehouse operators cannot be required by State government to be dually licensed or comply with State warehousing, grain dealer laws or regulations. The final rule asserted, publicly, USDA's long-held view that it has exclusive jurisdiction to regulate the merchandising and other activities of Federally licensed warehouses. The final rule reflected existing case law dating back more than 60 years and made transparent what USDA has conveyed when asked.

State Departments of Agriculture with grain merchandising licensing programs disagreed with USDA's position. Several States issued strongly worded statements in response to USDA's position, noting the impact it could have on the continued willingness of Federally licensed warehouses to comply with State grain dealer laws or to submit elevator proceeds to State grain indemnity funds.

The issue has caused both USDA and State governments to examine levels of protection currently provided to producers under warehouse programs. USDA cooperated with the National Association of State Departments of Agriculture, as well as farm and industry representatives, to explore ways to improve warehouse regulations in order to protect producers and depositors.

As a result of its meetings with stakeholder groups, USDA announced changes on February 5, 2003, to the Federal license requirements for grain warehouse operators. These changes would improve depositor protection requirements already in place for storage obligations and expand coverage to producer contractual obligations.

USDA is changing the requirements for Federally licensed warehouse operators to improve producer protection already in place for producers who own and store grain with such warehouse operators and will extend protection to producers who only sell grain to such an operator. USDA is making the following changes to existing requirements for Federal licenses:

—Increase the basic net worth requirements a warehouse operator must have to qualify for a license;

—Increase the level of auditing required of the warehouse operator's financial statements by a third-party auditing firm; and

—Provide additional coverage for producers who only sell grain to a Federally licensed warehouse.

The increased producer protection will be funded through liquidation proceeds, a $5 million assessment on the Federal licensee community, and a $10 million umbrella insurance policy.

USDA planned to have its grain warehousing plan in place for the start of the 2003 marketing year that begins May 1, 2003. The plan included an opportunity for Federally licensed warehouse operators to review the new program requirements before executing the new grain licensing agreements. The new grain licensing agreements were scheduled to be available by March 1, 2003.

This implementation plan changed based on the language in Section 770 of Division A of Public Law 108–7. This section requires a 180 day moratorium during which no funds could be used to: (1) amend licensing agreements for grain (excluding rice) under the United States Warehouse Act; or (2) to issue Federal licenses

to grain warehouse operators (excluding rice) that are not currently Federally licensed; or (3) to implement any changes that were not in effect on January 1, 2003.

All actions with respect to implementation of these changes initially ceased during this 180-day period. On March 27, 2003, at the urging of the stakeholders, USDA re-initiated its efforts to develop and implement the grain licensing changes. USDA is working to implement the announced changes at the end of the moratorium.

A stakeholder group composed of representatives from producer and industry groups, and State Departments of Agriculture have met twice to develop their own plan for improving producer protection in Federally licensed grain warehouses. Joe Pearson from the Indiana Department of Agriculture and Randy Gordon with the National Grain and Feed Association serve as co-chairs for the warehouse task force.

USDA has provided requested background information and made available staff to answer questions at both meetings. The warehouse task force has requested information on the costs associated with USDA's program. USDA has provided all information that has been developed; however, some cost information has not been provided either because it is unknown at this time or will require resources to develop. The cost of the insurance policy is still unknown though USDA is working quickly to obtain a contract for the insurance policy.

FSIS SYSTEMS REVIEW

Question. The Secretary was directed in the 2002 Farm Bill to review State meat and poultry inspection systems and report the findings to Congress in FSIS's annual report to Congress, including guidance on possible changes if the statutory prohibition on interstate shipment of State-inspected product is removed.

Please provide an update on the status of this report, including when it, and FSIS's annual report, will be available.

Answer. At the 2002 National Advisory Committee on Meat and Poultry Inspection (NACMPI) meeting, discussions were held in response to the Farm Bill report language concerning interstate shipment. Committee members recommended that FSIS assess all completed State comprehensive reviews back to 2000, and complete reviews of the remaining States by March 2003, before starting the more comprehensive reviews called for in the Farm Bill report language. FSIS has completed all the audits through March 2003, as recommended by NACMPI and is now beginning the more comprehensive review of State MPI programs. Preliminary results of the intensified comprehensive reviews should be available in late fall 2003.

Question. Further, no specific funding for this report is requested in the fiscal year 2003 President's budget. How is this survey being funded, and how much will it cost?

Answer. Existing resources within FSIS have been utilized to prepare for the more comprehensive reviews of State inspection programs. Under the current FSIS plan for these reviews, the more intensive portion of the reviews will not occur until next year. Available FSIS resources would in large part dictate the number of States that could be reviewed next year.

FSIS USER FEES

Question. The President's budget request for FSIS for fiscal year 2004 is $797,140,000 in total. However, this number includes $122 million that is to be collected in proposed user fees paid for by industry for the cost of mandatory, Federal inspections services beyond 8 hours per day. Therefore, the true President's budget request for appropriated funds is $675,149,000. This is a decrease of $79,672,000 from last year's appropriated level, unless the proposed user fees are authorized and collected.

Do you agree with this summary?

Answer. Yes, however, under current law, the budget requests $797,149,000 million, which is the level of funding necessary to ensure that America has the safest food supply in the world.

Question. If the appropriations committee provides FSIS with the President's request for appropriated funds, $675 million, and the user fees are not authorized, please describe in detail the effect this will have on the FSIS budget and activities. Specifically, how will this cut in funding be absorbed by FSIS, and how will it affect the number of inspectors and inspections performed?

Answer. FSIS will not be able to conduct inspection operations throughout the year, which would result in a disruption to industry operations.

Question. Did USDA consult with industry or food-safety consumer groups when preparing this user-fee proposal?

Answer. USDA did not consult with industry or food safety consumer groups when preparing the user fee proposal.

Question. Did USDA consult with Congress before preparing this user-fee proposal to ensure that there would be adequate support to get it enacted?

Answer. USDA did not consult with Congress before preparing the user fee proposal.

STATE MEAT AND POULTRY INSPECTION PROGRAMS

Question. In fiscal year 2003, both Maine and Virginia terminated their State food inspection programs. Therefore, FSIS has assumed these costs in its fiscal year 2004 budget request. In the current fiscal environment, it is not unlikely that in the future, more States may consider terminating their State food inspection programs and leaving the responsibility with FSIS.

Does USDA believe this is a viable possibility, and has this possibility been budgeted for in the Administration's fiscal year 2004 request?

Answer. FSIS is in constant contact with States to determine what actions they will take with respect to their inspection programs. If FSIS is aware of any plans by a State to either terminate or initiate its program, FSIS will take it into account when preparing its budget.

Question. If this has not been budgeted for, how has FSIS planned for these potential situations?

Answer. It is difficult to plan because many States are on a different legislative and budget calendar than the Federal Government. FSIS will address any potential funding problems related to the change in status of State inspection programs as they arise.

TECHNOLOGY AND TRAINING

Question. The overall FSIS budget includes a total decrease of $1.5 million for "savings associated with centralization and improvement of information technology." How specifically was this number, and amount of savings, determined?

Answer. The estimate of Department-wide savings resulting from consolidating enterprise architecture and infrastructure procurement is $16 million. FSIS' share of this is $1,356,000. The savings to the agency will be realized through consolidated hardware and software procurements, as well as the reengineering of paper-based processes, such as data collection.

Question. I was pleased to see an increase of more than $5 million to improve the scientific and surveillance skills of the workforce, which appears to be essentially for increased training. While FSIS has long declared that their employees need additional training, will this training eventually qualify these employees for higher grade levels and promotions? What type of payroll and benefit increases does FSIS anticipate as a result of this training?

Answer. FSIS has recently created a Consumer Safety Officer (CSO) position that requires greater scientific training and experience, as well as a higher grade level. Employees qualifying for these positions would receive increased compensation. Other employees that receive training to conduct their duties as assigned will not automatically be qualified for a higher grade level or promotion. Employees that move into higher graded positions would receive increased compensation.

EXPANDED FOOD SAFETY AUTHORITIES

Question. I am pleased to hear that USDA is now reconsidering its position on the need for additional food safety authorities. When the Secretary spoke to the Food Safety Summit and Expo on March 19th, she stated that USDA was considering asking Congress for additional authorities, including, and I quote "mandatory notification to USDA when a Federally inspected establishment has reason to believe that meat or poultry has been adulterated or misbranded; authority to impose civil penalties after notice in writing and continued lack of compliance; and cease and desist orders and potential suspensions at earlier phases and on an expedited basis arising from HACCP violations."

What were the reasons that USDA decided to seek additional regulatory authorities, and what is the status of these requests?

Answer. We are always assessing our authorities to determine if they need to be strengthened. I have asked for a complete review of our authorities to determine if they allow us to do our job and I am awaiting assessments on what options USDA should consider pursuing in the future.

Question. If additional authority is requested and granted, will you have additional costs that were not included in the fiscal year 2004 budget? If so, how much do you anticipate additional authorities will cost?

Answer. We are still evaluating our legislative authorities. Until that evaluation is completed, we will not know what the potential budget impact of those authorities will be.

Question. Are there any other additional authorities that the Department is considering, such as mandatory recall authority?

Answer. At this time, we have not determined if we require any additional authorities.

Question. If, in fact, you believe that your enforcement authorities are relatively sufficient, then why are you continuing to be sued by meat companies when your agencies try to enforce regulations that the courts do not necessarily hold to have a legal basis, as reported just yesterday in the Omaha World Herald? I realize you can't discuss pending litigation, but this incident does seem to be more evidence that sufficient authorities are lacking.

Answer. The Federal Meat Inspection Act and the Poultry Products Inspection Act provide the authority needed to close plants that fail to comply with FSIS regulatory requirements. Under these existing laws, FSIS maintains the authority to initiate a withholding, suspension, or withdrawal action based on sanitation or HACCP violations, including: failure to collect and analyze samples for the presence of generic *E. coli;* failure to develop or implement sanitation standard operating procedures; or failure to develop or implement a required HACCP plan. FSIS may also initiate a withholding, suspension, or withdrawal action for other violations, such as inhumane slaughter or unsanitary conditions. Even though FSIS cannot act solely on an establishment's failure of the *Salmonella* performance standard, an establishment's failure to meet *Salmonella* performance standards will trigger an immediate review of the establishment's entire food safety system. Establishments that do not meet food safety requirements are subject to enforcement actions.

Question. I have received a request to include language that would make bison an amenable species for purposes of the Meat Inspection Act. Please provide a cost estimate for FSIS if this language is included in the fiscal year 2004 bill.

Answer. It would cost approximately $1 million to start up a mandatory bison inspection program.

HUMANE METHODS OF SLAUGHTER ACT

Question. The Committee, in fiscal year 2003, provided FSIS with $5 million to be used to hire no fewer than 50 FTEs for enforcement of the Humane Methods of Slaughter Act. The Secretary stated at her May 8th hearing before the Committee that none of the FTEs had been hired, but that FSIS was working on the position descriptions.

How many total people does FSIS plan to hire during fiscal year 2003 and fiscal year 2004 with these funds? How many people will be hired in fiscal year 2003, and how many will be hired (not carried over from fiscal year 2003) in fiscal year 2004?

Answer. FSIS continues to increase agency efforts to ensure that all field personnel understand their authorities and rigorously enforce the Humane Methods of Slaughter Act. FSIS has recently hired 215 new line inspectors trained in humane handling methods and at this time, the systemwide FSIS effort devoted to humane handling and slaughter inspection is equal to 63 FTEs. In fiscal year 2002, the comparable level of effort equaled 25 FTEs carrying out humane handling and slaughter inspection, so the agency has added 38 FTEs in fiscal year 2003. The agency expects that this number will continue to rise through fiscal year 2004 to meet and even exceed the requirement outlined in the fiscal year 2003 Omnibus Appropriations bill.

Question. Has FSIS been working with the GAO on the HMSA report required in the fiscal year 2003 Conference report? If so, how?

Answer. FSIS has met with General Accounting Office (GAO) auditors regarding the GAO report. FSIS has provided GAO a variety of humane handling related materials. Several FSIS representatives have met with GAO auditors to discuss humane handling issues. Additional meetings are being planned.

IMPORTED FOOD

Question. In the fiscal year 2003 bill, the Committee included report language emphasizing the importance of USDA enhancing its inspections of overseas plants, making sure any plant that fails to meet U.S. standards is audited frequently, and not allowed to ship its product into this country until it meets our standards. So, I am pleased to see an increase of $1.7 million to increase the number of trips overseas by FSIS inspectors in order to ensure that foreign plants shipping product to the United States meet the U.S. standard for safety. The budget states that this funding will increase the number of countries being evaluated from 33 to 40.

What, exactly, will this $1.7 million increase buy, and how will it improve our food safety system? Will additional inspectors be provided to countries that have historically struggled to meet our safety standards?

Answer. Funds are included in this request to hire seven additional auditors to conduct reviews of foreign country inspection systems. These new auditors will enhance FSIS' review of foreign meat and poultry inspection systems and exporting plants to assure they operate at standards equivalent to the U.S. system. The additional auditors will ensure that each country approved to export meat and poultry products to the United States will be audited at least annually, and more frequently, if needed.

FSIS currently allocates more resources to those countries that have historically struggled to meet our safety standards and will continue to do so.

Question. How many countries import meat into the United States? Are there any countries that USDA inspectors do not physically visit and evaluate, and if not, why?

Answer. At this time 33 countries have been approved to export meat and poultry products to the United States.

All countries exporting meat and poultry products to the United States are audited through a physical visit at least once a year.

Question. The language in the Senate report last year was due to a concern about the safety of meat imported into this country. Although I received several assurances from FSIS officials that this was not a safety issue, and the USDA system was not flawed, there was a USDA internal inspector general report released in February which stated that from 1999 to 2001, USDA allowed more than 800,000 pounds of meat from foreign plants that might have been prohibited, and 66,000 of that was from processors that were not approved to ship product to the United States. Generally, the report concluded that USDA has not been sufficiently guarding the food supply from potentially unsafe imported meat. This report was released after the President's budget request was formulated. Please explain the discrepancy between the assurance I received about the safety of imported meat, and the information included in the USDA Inspector General's report. Further, what steps is USDA taking to address the findings in this report? Will the increase requested in the budget take care of the safety issues outlined, or is further funding necessary?

Answer. The Office of the Inspector General (OIG) questioned the entry of about 800,000 pounds of meat from foreign plants, including 66,000 pounds of meat from plants not eligible to export to the United States. The discrepancy resulted from a disagreement between FSIS and the OIG over how countries provided annual certifications of eligible establishments to FSIS. FSIS is confident that establishments are properly certified, and has made procedural changes to address the concerns of the OIG. FSIS pointed out that, at the time this product was presented for reinspection by FSIS, each shipment was accompanied by a certificate issued by the inspection service of the foreign country attesting that it was produced according to U.S. standards and in a plant eligible to export to the United States.

The Automated Import Information System (AIIS) has been re-programmed and updated to address all concerns raised by the OIG regarding the entry of shipments. The changes will be made with existing and requested resources.

FARM ASSISTANCE PROGRAMS

Question. The salaries and expense request eliminates 2,807 non-Federal staff years, 2,657 temporary positions, and 150 permanent positions. At the same time, the Agency received $70 million in supplemental funding in the fiscal year 2003 appropriations bill, Division N of Public Law 108–7.

How will the supplemental funds be allocated?

Answer. The $70 million will support approximately an additional 1,200 temporary staff years for county field offices during fiscal year 2003 and fiscal year 2004. In addition, funding will be used for IT/ADP software development and support, and increased operating costs such as postage, supplies, and materials. Even though the fiscal year 2004 Budget reflects a precipitous drop of 2,692 non-Federal temporary and other staff years from the fiscal year 2003 level, FSA is working to even out fiscal year 2003 to fiscal year 2004 temporary staffing levels. We are able to do this by spreading the use of the $70 million additional funding over a 2-year period.

Question. Will any be used for IT purposes and how much?

Answer. Yes, approximately $14 million of the funds provided for Farm Bill implementation will be used for IT/ADP software development and support.

Question. With the continued demand from new Farm Bill programs, many still to be implemented, is there a need for additional permanent Federal full-time staff?

Answer. No, at the present time, FSA does not feel there is a critical need for additional permanent Federal full-time staff. The initial impacts of Farm-Bill-related implementation workload increases are similar to those of a disaster in that they are temporary and do not easily lend themselves to support of permanent staff. Through the dedication of our employees we have been able to sign up over 90 percent of the landowners that have made base and yield selections. Some offices were stretched more than others, and we did our best to provide additional temporary staffing resources to fill the gaps. Temporary staffing is being used to assist with administrative activities, allowing time for permanent staff with the needed technical knowledge to conduct signup activities.

FSA does not yet know the full impact of permanent, ongoing maintenance of new Farm Bill programs. However, every effort will be made to continue the high standard of service provided to our customers while analyzing these impacts.

Question. In the inventory property area, what is the racial and ethnic breakdown, including women, of purchasers who have acquired property through FSA lending programs in the latest data available? Please include the average loan and size of farm.

Answer. FSA does not track the gender of purchasers when an inventory property is sold. FSA lending programs do not finance acquisition of inventory property except for beginning farmers. Rather, the property is sold at auction to the highest bidder.

The following table displays fiscal year 2002 inventory property purchasers by race, average size of farm and total acreage:

INVENTORY PROPERTY PURCHASERS, FISCAL YEAR 2002

Race/Ethnicity	Number of Purchasers	Average Size of Farm (Acres)	Total Acreage
Asian/Pacific Islander	1	10	10
Black	6	84	505
Hispanic	4	31	123
Native American	2	281	561
White	174	148	25,679
Tax-Exempt [1]	4	267	1,066
Total	191	146	27,944

[1] This category reflects corporations that have status as a race or ethnic group. Purchases made by these entities are not tracked by any other group designation.

Question. In the Beginning Farmer Program, what is the racial and ethnic breakdown, including women, of purchasers who have acquired a farm or ranch? Please include the average loan and size of farm. The 2002 Farm Bill enacted a similar provision on data analysis but which applied to Farm Loans rather than housing loans. Will this report be submitted to the Committee?

Answer. There were 402 Beginning Farmer Farm Ownership Loans made to females during fiscal year 2002. Because women are also counted in the racial and ethnic categories, the number of women per racial category was not separately identified during 2002. FSA does not track the average size of farm by racial category for beginning farmers. This information is only captured for inventory property.

[The information follows:]

	Direct FO	Average Loan	Guaranteed FO	Average Loan
White	1,000	$118,947	731	$252,300
Black	15	106,060	4	253,850
Asian	10	140,450	61	457,374
American Indian	53	122,623	32	271,047
Hispanic	19	102,726	11	214,313
Other—Not coded	0	0	1	200,000
Total Participants	1,097	118,864	840	267,354

We assume the 2002 Farm Bill provision you are referring to is Section 10708, "Transparency and Accountability for Socially Disadvantaged Farmers and Ranchers; Public Disclosure Requirements for County Committee Elections." That provision is much broader than just the farm loan programs. That provision requires an annual report on the participation rate of "socially disadvantaged farmers and ranchers according to race, ethnicity, and gender" for "each program of the Depart-

ment of Agriculture established for farmers and ranchers," and; the composition of county, area or local committees established under the Soil Conservation and Domestic Allotment Act. In addition, Section 10708 requires a report to Congress after the completion of each Census of Agriculture on the rate of change in participation by socially disadvantaged groups since the previous census. We would be happy to provide both the annual reports and the post-census report to Congress when they become available.

RISK MANAGEMENT

Question. The President's budget proposes reducing the administrative expense reimbursement rate from 24.5 to 20 percent, which is expected to produce a savings of $67.8 million. Given the drought and other natural disasters that have occurred in the farming sector over the past several years, in developing this proposal, have you worked with the individual crop insurance companies to ensure that this limitation will in no way impair those companies' abilities to continue providing coverage to our Nation's farmers? If so, what were their comments? If not, please explain why.

Answer. On an ongoing basis, RMA works closely with the companies to address a wide range of issues. It is clear that a reduction of the A&O reimbursement rate is a cause of significant concern to them. It should be noted that the general rate of 24 percent is not the actual rate paid to companies. Because the rate is based upon the type of policy purchased, the companies receive an average closer to 21 percent.

A reduction in the reimbursement rate will increase the financial pressure upon the companies to adjust their operating approach. Each company will strive for increased efficiencies without sacrificing service. This of course is a healthy exercise. However, if the company is not successful in driving down cost and generating sufficient returns to satisfy shareholders, consolidations or departures will be the result.

INFORMATION TECHNOLOGY INVESTMENTS

Question. The President's budget proposes a $5.5 million increase for a new, updated information technology system. What are the specific spending plans for this funding? Will all of the $5.5 million be spent in fiscal year 2004? If not, how and when will each portion of the funding be spent?

Answer. The spending plan for the funding is as follows:

Information Technology Investments	Dollars in thousands
Financial Management System	$512
Corporate Insurance Information System	2,713
Compliance Support & Pattern Recognition System	725
Standard Reinsurance Agreement Analysis	1,550
Total	5,500

These funds are scheduled to be used within the fiscal year. The funds will be scheduled within the 5-year plan, which is currently being developed, and will be completed and implemented prior to the beginning of fiscal year 2004.

CROP AND LIVESTOCK INSURANCE

Question. Recently, I have heard from farmers in Wisconsin regarding crop and livestock insurance. Specifically, they are in favor of both, but believe that crop insurance while beneficial, can be complicated and difficult for small farmers to understand and feel comfortable participating in, and are concerned that any livestock insurance program may have the same problems. How does RMA attempt to reach out to small or part-time farmers to educate them on crop insurance? Are there any products currently produced by RMA to educate farmers about crop insurance that are easily accessible and easy to understand? If not, how much additional funding would RMA need in order to produce and distribute this information?

Answer. RMA operates two major education programs, as mandated and funded under the Federal Crop Insurance Act (FCIA sections 522(d)(3)(F) and 524(a)(2)). These two programs are (1) partnerships for risk management education, with priority for producers of certain crops; and (2) crop insurance education and information in States that have been historically underserved by crop insurance. In addition, the Cooperative State Research, Education, and Extension Service operates a

national program of grants for risk management education through four regional centers based at Land Grant universities in accordance with FCIA, section 524(a)(3).

RMA operates its educational programs to reach small farmers and ranchers through local education partners. Funding to conduct these local programs is awarded competitively through cooperative agreements to educational partners that have substantial influence with local farmers and farm groups. RMA's educational partners include State departments of agriculture, universities, grower groups, and other public and private organizations.

RMA recognizes the ongoing need for clear, understandable, and timely information about crop insurance so that farmers can make an informed decision. To accomplish this, RMA's regional offices work closely with local education partners to tailor educational curricula and training materials to the commodities and growing practices unique to each area. Informational materials are also available on RMA's web site (www.rma.usda.gov) and on the RMA-sponsored Ag Risk Education Library web site (www.agrisk.umn.edu). RMA works with its educational partners to ensure that, as far as possible, farmers are informed about local educational opportunities.

Much is being done to reach the legislatively-mandated underserved groups and regions with crop insurance education. Given the acceleration in crop insurance development and expansion, however, RMA's educational resources are continuously challenged to keep pace. The increased use of information technology holds out the best promise of meeting this challenge. Additional funding of $3 million per year would allow RMA to substantially enhance its set of internet information and distance learning tools, especially those dealing with newer products such as livestock. With such tools, RMA could reach a much larger number of small farmers than it can with current resources.

USDA DROUGHT OUTLOOK

Question. What does USDA forecast for drought outlook this coming year, and if natural disaster-related crop and livestock losses reach or exceed the levels of the last 2 years, will you recommend to the President to work with the Congress to enact disaster assistance?

Answer. We are monitoring drought conditions carefully, however, it is too early to make any reliable predictions on the outlook for the coming year. According to the U.S. Drought Monitor, conditions have generally been improving throughout the U.S. since early March. However, severe drought persists in the West particularly from the 4-Corners Region north to Southern Idaho. Current projections are that this area will remain under drought conditions for at least the near future. While we do not anticipate drought related losses to reach the levels seen in 2002, we would expect to work with Congress should the need arise.

DAIRY PRICE SUPPORT PROGRAM

Question. The Dairy Price Support system requires that USDA purchase certain dairy products when the class III price falls below $9.90 per hundredweight. Since January 2003 the class III price has remained below that support level—in fact we reached a low of $9.11 per hundredweight for March. It has been suggested that USDA specifications for the purchase of these products created additional costs, and results in prices to producers falling below the safety-net established by Congress.

Since January of 2000, the weekly average block cheddar cheese price on the Chicago Mercantile Exchange has been below the $1.1314 per pound CCC purchase price about one-fourth of the time. At one point, during the week ending February 28, 2002, the price averaged as low as 12.3 cents below the CCC purchase price. In other words, sellers on the CME are choosing to sell product at levels far below the standing offer of the CCC. The effect of this is to undermine the integrity of the price support program, causing prices to producers to fall far below the $9.90 per hundredweight support price established by Congress. In fact, during the period of January 2000 through April of 2003, the Class III price; was below support for 14 of 39 months.

In order to make the price support program function more effectively, and to more closely meet the intent of Congress with regard to a price support level of $9.90 per hundredweight, some in the industry have suggested that the CCC should be an active trader of dairy products on the Chicago Mercantile Exchange. Instead of acting as a passive purchaser of surplus products whenever manufacturers choose to sell, it is argued that CCC should step in and purchase product, particularly cheese, whenever it is offered on the CME at prices that match or fall below the established CCC purchase price.

How do you plan to strengthen the price support program to prevent the market price from falling below the support level?

Answer. The Farm Security and Rural Investment Act of 2002 states that the Milk Price Support Program (MPSP) purchase prices shall be sufficient to enable plants of average efficiency to pay producers, on average, a price not less than $9.90 per hundredweight (cwt) for milk containing 3.67-percent butterfat. The Class III price calculated by the Agricultural Marketing Service (AMS) is a minimum price for milk containing 3.5-percent butterfat. Actual prices producers received are typically greater than the minimum, and prices for 3.67-percent milk are about $0.20 per cwt higher when butter is near its support price of $1.05.

CCC has historically interpreted "on average" to mean an annual average over all cheese and butter/nonfat dry milk (NDM) plants (Class III and Class IV milk). Weighted average prices, based on utilization, of milk used for cheese making (Class III) and milk used for butter/NDM making (Class IV) have exceeded $10.00 per cwt for the past 3 years. Annual average manufacturing milk prices in the National Agricultural Statistics Service (NASS) reports and the manufactured milk value calculated for the Dairy Interagency Commodity Estimates Committee have also exceeded $10.00 per cwt.

AMS began publishing a minimum monthly price for Class III milk and a separate minimum monthly price for Class IV milk in January 2000 with implementation of Federal Milk Market Order reform. CCC is considering whether in light of these published prices it should revise its interpretation of "on average."

Payment of an allowance to cover additional costs incurred to sell cheese to CCC is being considered. This payment would be designed to lessen the difference between Class III and Class IV prices when dairy product prices are near CCC purchase prices for cheese, butter and NDM.

Question. Are you aware of the effect USDA specifications have on the final level of support received by dairy farmers, and will you consider either changing the specifications or being a more active purchaser of products, such as on the Chicago Mercantile Exchange, in order to make certain dairy farmers receive a price support level as directed in the Farm Bill?

Answer. We are aware of USDA specification impacts on support received by dairy farmers. Revisions to USDA specifications are in draft form and are currently being reviewed. However, CCC storage of product requires more expensive packaging. Also, resale or donation of product from CCC inventory requires grading that is not typically required for cheese going for immediate processing uses in the commercial market.

Question. Does the CCC have the authority to be an active trader of dairy products on the CME, or would separate legislation from Congress be required to enable such action?

Answer. CCC has been an active trader on futures exchanges (Chicago Board of Trade) and CCC has the authority to be an active dairy products trader on the CME spot cash market.

Question. If the CCC does have this authority, please comment on why it has not been used, in light of how often cheese prices have fallen below support over the last several years?

Answer. In discussions with CME officials it was found that even though CME product specifications match USDA's specifications, they are not enforced for CME commercial trades. If CCC offered to buy product on CME, CCC would not necessarily receive product meeting CCC specifications. CME is uncomfortable with CCC's proposal to actively sell inventory on the CME when market prices are above purchase prices because this would tend to narrow the CME trading range and allow CCC to break market rallies. CCC could purchase cheese on the CME at its purchase price provided CCC specifications were fulfilled, but total acquisition costs would be higher. CME brokerage fees, immediate payment and $25 per trade transaction fees would add expenses to CCC purchases. Also, CCC requires grading paid for by the seller while CME does not require grading unless requested by the buyer, and if requested, grading costs must be paid by the buyer.

Question. Will you provide me an analysis of the relationship between an increase in the purchase CCC price of dairy products and dairy income received by farmers?

Answer. A one cent increase in the CCC purchase price for cheese should raise Class III milk price about 10 cents per cwt when purchases are being made and cause a slight decrease in Class IV price. Class III (milk used for cheese making) used 44 percent of total milk marketings in 2002 so the price impact would affect at least 44 percent of milk production. If Class III is the price mover, Class I price would also increase, affecting another 37 percent of milk production. Impact on the all milk price will vary from 4 cents to 8 cents per cwt depending on the month. When purchases are taking place throughout the year and Class III is seldom the Class I price mover, a 5 cent per cwt average milk price increase for the year would yield an $85 million (half of 1 percent) dairy farm income increase (an average of

about $925 per farm). In years with few cheese purchases and Class III prices never being the mover, the impact would be less than 1 cent per cwt average increase, yielding a $12 million total income increase ($130 per farm).

Question. To what extent will use surplus stocks of non-fat dry milk for food aid, drought relief, or other purposes?

Answer. Disposition of CCC NDM inventory for fiscal year 2003 has been about 400 million pounds through April 30. Export donations have been about 100 million pounds and drought relief about 250 million pounds. Domestic donations and sales have each been about 25 million pounds. Additional export donations of 100 to 200 million pounds are expected. Additional drought aid is beginning to be distributed and use may reach 200 to 400 million pounds by the end of the fiscal year.

CONSERVATION

Question. What input did USDA have in the Justice Department determination that conservation technical assistance for Farm Bill conservation programs would be subject to the section 11 cap, making necessary the President's request to provide such assistance through discretionary spending?

Answer. The Justice Department determination that conservation technical assistance for Farm Bill conservation programs would be subject to the section 11 cap reflects its own independent evaluation of the law, legislative history, and relevant precedents. USDA supplied the Justice Department with relevant legal materials, as requested.

CONSERVATION SECURITY PROGRAM

Question. Do you intend to implement the Conservation Security Program in a manner similar to an entitlement until enrollments reach the current statutory spending cap? If not, how would such alteration be consistent with the Farm Bill?

Answer. USDA estimates that there is a potential applicant pool of over two million farms and ranches covering some 900 million potentially eligible acres. A primary implementation concern that was raised in our published Advanced Notice of Proposed Rulemaking (ANPR) is the scope of the CSP program. In order for this program to accomplish the Administration's goal of maximizing the conservation and improvement of natural resources, it will be necessary to focus CSP assistance on farms and ranches that maintain the highest level of natural resource protection.

STATUS OF CONSERVATION PROJECTS

Question. Please provide the status of conservation projects listed in the Conservation Operations and Watershed Flood Prevention Operations accounts of the Senate, House, and Conference Report Statement of Managers to accompany the fiscal year 2003 appropriations bill.

Answer. All of the fiscal year 2003 conservation projects listed in the Conservation Operations account of the Senate, House, and Conference Report Statement of Managers have been funded and allocations made to the States within the last few months. State Conservationists are in the process of implementing the projects and accomplishments will be available at the end of the fiscal year.

Appropriated funds for Watershed Flood Prevention Operations were not sufficient to cover the estimated installation cost of all projects listed in the appropriation language. As a result, each 2003 project allocation was reduced by approximately 20 percent. The following table summarizes the fund allocations that were made during mid April:

WATERSHED PROTECTION AND FLOOD PREVENTION

State	Project	Status of Funds
Alabama	Upper Cahaba	No funds allocated, not an authorized Watershed Protection and Flood Prevention project
Alabama	Pine Barren WS Ext.	$1,184,000 allocated to project
Arkansas	Little Red River	$545,000 allocated to project
Arkansas	Poinsett	$744,000 allocated to project
Arkansas	Big Slough	$125,000 allocated to project
California	Beardsley	$5,646,000 allocated to project
Florida	WF-Four Pilot Projects in North FL	$1,452,000 allocated to project
Florida	Big Cypress	$186,000 allocated for FL project planning, including Big Cyprus
Illinois	DuPage County	$25,000 allocated to project

WATERSHED PROTECTION AND FLOOD PREVENTION—Continued

State	Project	Status of Funds
Kansas	Whitewater East	$1,429,000 allocated to project
Kansas	Whitewater West	$971,000 allocated to project
Louisiana	Bayou Bourbeux	$7,815,000 allocated to project
Missouri	Big Creek & Hurricane Creek	$1,341,000 allocated to project
Missouri	E. Fork of Grand	$477,000 allocated to project
Missouri	E. Locust Cr.	$477,000 allocated to project
New York	Cayuga Lake	Not an authorized Watershed Protection and Flood Prevention Project. Other programs are being utilized.
North Carolina	Swan Quarter	$2,851,000 allocated to project
North Dakota	Devil's Lake Basin	Not an authorized Watershed Protection and Flood Prevention Project
Oklahoma	Sugar Creek	$3,512,000 allocated to project
Pennsylvania	Mill Creek	$507,000 allocated to project
Pennsylvania	Little Toby	$347,000 allocated to project
South Carolina	Flood mitigation Projects	Not an authorized Watershed Protection and Flood Prevention Project
South Dakota	Little Minnesota River/Big Stone Lake	$67,000 allocated to project
Texas	Elm Cr. Site #34	$1,615,000 allocated to project
Texas	Big Sandy Cr	$1,277,000 allocated to project
Texas	Lake Waco Watershed	$437,000 allocated to project
Virginia	Southwest VA Waterways in Clinch Powell	Not an authorized Watershed Protection and Flood Prevention Project. $105,400 allocated through the Emergency Watershed Program.
Virginia	Holston, Pound, & Bluestone R.	Not an authorized Watershed Protection and Flood Prevention Project. $105,000 allocated through the Emergency Watershed Program.
Virginia	Marrowbone Cr.	$18,000 Watershed Rehabilitation Planning provided, in addition to fiscal year 2002 fund carryover.
West Virginia	Upper Tygart Valley WTSH	$12,131,000 allocated to the project
West Virginia	Little Whitestick Cranberry	$3,570,000 allocated to the project
West Virginia	Potomac Headwaters Land Treatment	$460,000 allocated to the project

WATERSHED REHABILITATION PROGRAM

Question. Please provide information in regard to expenditures in fiscal years 2003 and 2004 under the Watershed Rehabilitation Program. What criteria is USDA using to determine which rehabilitation projects to fund? At the rate of funding for this program as requested by the President, how many years will it take before those structures in danger of failure will be rehabilitated? Is it likely that some structures will fail before such time, and to what degree is this likely?

Answer. The following is a summary of the allocations made for fiscal year 2003. (To date, the fiscal year 2004 appropriations and subsequent allocations have not been made):

STATE	TOTAL
Alabama	$30,000
Alaska	0
Arizona	320,000
Arkansas	1,055,000
California	10,000
Colorado	0
Connecticut	0
Delaware	0
Florida	0
Georgia	5,125,000
Hawaii	0
Idaho	0
Illinois	40,000
Indiana	125,000

STATE	TOTAL
Iowa	1,126,000
Kansas	845,000
Kentucky	165,000
Louisiana	44,000
Maine	0
Maryland	0
Massachusetts	125,000
Michigan	19,000
Minnesota	0
Mississippi	530,000
Missouri	660,000
Montana	160,000
Nebraska	1,466,000
Nevada	0
New Hampshire	0
New Jersey	50,000
New Mexico	740,000
New York	275,000
North Carolina	54,000
North Dakota	470,000
Ohio	300,000
Oklahoma	6,451,000
Oregon	0
Pennsylvania	230,000
Rhode Island	0
South Carolina	40,000
South Dakota	15,000
Tennessee	975,000
Texas	5,304,000
Utah	150,000
Vermont	73,000
Virginia	328,000
Washington	0
West Virginia	220,000
Wisconsin	150,000
Wyoming	36,000
Puerto Rico	25,000
Total	27,731,000

The Watershed Rehabilitation amendment to Public Law 566 requires that a priority ranking system be prepared. A standardized priority ranking procedure was developed and is contained in NRCS policy. The priority ranking process computes a "risk index" for each dam which includes the following components:

—Potential for failure of the dam—based on existing conditions and design features of the dam.

—Consequences of failure of the dam—based on number of lives and property at risk if the dam should fail.

—Input from the State Dam Safety Agency.

Priority was placed on dams with:

—The highest risk to loss of life and where the dams were in the poorest condition.

—Legal obligations through Federal contracts or projects agreements where local contracts will encumber funds.

—Commitments for planning and application were made (i.e. completion of plans, designs, and construction contracts).

At $10 million per year, an estimated 10 projects annually will be rehabilitated. We do not have estimates of the number of dams that are currently in danger of failure to respond to your request for information on the possibility of future failures under current and proposed program funding levels. We expect to have 250 risk assessments completed by September 30, 2003 which will shed some light on this question.

RD FIELD STRUCTURE CONSISTENCY PLAN

Question. I understand that the Under Secretary (Rural Development) will issue a Consistency Plan for the field structure of RD. I also understand that in the pre-

vious reorganization, States were allowed flexibility to set up the structures to meet specific State needs. This new plan, as I understand, will close most two-person offices and allow States to develop a 2 or 3 tier system. States would also be limited to the number of program chiefs. I assume this will require a shifting of employees, functions and grade level changes.

How will these changes impact delivery and costs to the Agency?

Answer. The purpose of the Consistency Planning effort is to improve the field structure across the country to better serve the public, ensure that a basic level of service is available in all offices, and to improve the delivery of services to customers. It provides two possible field structures, which are very compatible to each other on a national level, but allow for differences among the States in geography, population density, program demand, and staffing levels. Having a basic requirement nationally that there be at least 3 people in each office improves the chances that someone will always be there to help customers in need of assistance rather than having to close an office when employees are sick, on leave, or working away from the office in order to make or service loans or provide technical assistance. There will be some initial costs of relocating a few employees and renting new space. There may be some savings in the long-term of reduced rent due to the consolidation of a few offices.

Question. How will the savings or increase in cost be reflected in your 2005 or 2006 budget?

Answer. These costs will be paid from, and any savings as a result of improved efficiency, will accrue to the Salaries and Expenses account.

RD COUNTY FIELD OFFICE CLOSURES

Question. What is the status of the 2003 requests by OMB to close 200 county base field offices?

Answer. The Secretary's Task Force, in the very near future, will be transmitting to the State Leadership of the Farm Service Agency, the Natural Resources Conservation Service, and Rural Development instructions for evaluating offices for consolidation. The Task Force anticipates the evaluation will be completed this summer.

Question. Is the criteria used for the Secretary's office closing, to comply with the OMB request, and RD's plan similar, please explain?

Answer. The criteria are similar in that both efforts seek to ensure customers are served effectively and efficiently. Rural Development's consistency planning effort focuses on how the agency can most effectively deliver its services with the resources available. While the consistency plans are being reviewed, Rural Development is also working closely with the Secretary's staff identifying inefficient offices. The Rural Development State Directors will receive and utilize the same evaluation criteria and instructions as the NRCS State Conservationist, and the FSA State Executive Director and any inconsistency between the Rural Development consistency plan and the Secretary's evaluations will be reconciled following the completion of the evaluations. Any Rural Development offices identified as inefficient will be addressed in the implementation phase of each State's consistency plan.

Question. Is there different criteria used in the two plans?

Answer. The criteria for the two initiatives are tailored to meet the specific purposes of each initiative. However, the two effects are being closely coordinated. Rural Development offices meeting the evaluation criteria being used by the Secretary's Task Force will be reviewed by the Rural Development State Director during their consistency evaluation and appropriate action taken, based on the overall needs and resources of the State.

Question. Are both groups using underserved minority populations, substandard housing, rent overburden, and unemployment as factors for office locations?

Answer. Rural Development did not provide specific criteria for the States to use in determining the location of its offices during the consistency planning process and each Rural Development State Director is determining, with the assistance of their staff, where the offices should be located utilizing such factors as geography, roads, location of trade centers, existing office locations, and impact on employees. The Secretary's Task Force has included diversity of the customer base as a criterion that is being used in the evaluation of offices, including those of Rural Development.

Question. Is the National Office reviewing factors of historic need prior to final approval of State plans, including the factors used to allocate resources to the States in the 1940–L regulation?

Answer. The National Office review of each State's implementation plan does not include an assessment of the proposed office locations. Each State Director established a working group of employees to assist them in the development of their plan.

The location of proposed offices is part of that effort. The employees in the State are far more knowledgeable of the State and its needs than is the staff of the National Office and it would be presumptuous, in most cases, of the National Office staff to question the recommendations of the State employees as to the location of their worksites.

THE OFFICE OF COMMUNITY DEVELOPMENT

Question. The Office of Community Development will be redirected from assisting EZ/EC and other communities to create and monitor performance measures, training field staff and strategic planning (18 people). Do you need this entire staff devoted for these purposes?

Answer. The Office of Community Development (OCD) will continue to provide national-level oversight of the Empowerment Zone/Enterprise Community (EZ/EC) program, along with the Champion Communities and the Rural Economic Area Partnership (REAP) Zones. These programs were designed so that direct assistance to the supported communities would be conducted by the Rural Development State and area office staff. As part of a comprehensive plan to strengthen the field structure and give State offices more responsibility for the outcome of programs in their jurisdictions, OCD will provide State offices and staff additional training on the implementation of the EZ/EC programs. In addition to these responsibilities, OCD will be coordinating the effort within Rural Development to formulate sound strategic plans, develop appropriate goals to implement them, and devise sound performance measurements to determine the effectiveness of Rural Development's programs. It will also continue to develop and provide Rural Development National and State office staff with web-based measurement, mapping and reporting tools, along with other database management systems, to achieve Rural Development's mission. Given this workload, the staff of 18 FTEs is fully employed meeting these responsibilities.

ROUND 2 AND 3 EZ/EC COMMUNITIES

Question. Proper oversight and technical assistance were issues when Round I of the EZ/EC communities were funded and there are still many outstanding issues for these communities. What will happen to the Round 2 and in the future round 3 EZ/EC communities with the proper oversight and assistance to ensure these funds are adequately administered?

Answer. Clearly, the Round I program constituted a learning experience for both the urban and rural EZ/EC programs. There are still outstanding issues with the oversight and assistance for the EZ/EC program and they are constantly being addressed. Our Benchmark Management System actively shows communities in all three Rounds are making progress in the implementation of their strategic plans, for example achieving an average leveraging ratio of over 16:1 with the Federal funds provided them.

RURAL HOUSING SERVICE/MULTI-FAMILY HOUSING

Question. In recent years, RHS has offered little in the way of incentives for section 515 owners to maintain long-term use. This lack of action and funding has prompted both the courts and—the Congress to consider the provisions of the law that regulates section 515 and provides incentives. All section 515 tenants are low-income—with average incomes of approximately $8,000 and two-thirds are elderly or disabled households.

What is RHS doing to resolve this issue, so that owners are compensated consistent with the law and tenants are not displaced?

Answer. The 2004 Budget includes funding for equity loans to encourage owners to remain in the program. Additionally, RHS will implement administrative changes to include: (1) encouraging and expanding the use of third-party funds by establishing industry relationships and continuing to subordinate our debt to secure preservation funding; (2) re-directing existing Section 515 funds and Section 521 rental assistance to resolve preservation cases; (3) expanding the eligibility of non-profits and streamlining the transfer of ownership process; (4) exploring contracting for processing; and (5) concentrating MFH program and borrower training on preservation issues.

Question. If Congress, or the courts, lifted the restrictions in the 87 Housing Act, what is the Agency's estimate of the number of units that would be lost and the number of households that are likely to be displaced?

Answer. Our estimates are consistent with those reflected in last May's GAO report that stated 3,872 projects representing approximately 100,000 units/households

could be eligible to prepay in the next several years if restrictions on prepayment are lifted.

MULTI-FAMILY HOUSING PORTFOLIO NEEDS ASSESSMENT

Question. What is the status of the Committee's recommendation to provide the Department $1,000,000 to conduct a capital needs assessment as outlined in the GAO report, GAO–02–397?

Answer. The Committee's recommendation was included in the Senate Appropriation Report, however, it did not reach the Conference Report; and it was not funded by a separate line item in the USDA fiscal year 2003 budget. The Agency, however, has accepted the Committee's recommendation to conduct a capital needs assessment of the Multi-Family Housing Portfolio as outlined in the GAO report, GAO–02–397 and has begun the study. To date, the structure of the Request for Proposal (RFP) has been decided. A Multi-Family Advisory Board has been formed, which consists of National Office staff, State Directors, and Program Directors who will execute and closely monitor the progress of the study. Portions of the study will be contracted out. Affordable housing industry stakeholders have been identified to consult with the Multi-Family Advisory Board during the study. Our target date for completion of the study is early in 2004.

COMPREHENSIVE PROPERTY ASSESSMENT

Question. I see that the 515 program has no new construction funds for 2004. What are the specific rehabilitation and preservation needs for the entire portfolio and will you contract out for this purpose?

Answer. The Rural Housing Service has initiated an effort to determine the condition of the portfolio from several perspectives. The Comprehensive Property Assessment (CPA) has several objectives, all of which are designed to provide an all-encompassing evaluation of the State of the portfolio. These objectives include: (1) assessment of property's physical condition; (2) assessment of property's financial condition; (3) assessment of property's position in the real estate rental market; (4) determination of continuing need for this rental housing; (5) assessment of needed capital improvements and cost; (6) assessment of future capital reserves needs; (7) analysis of prepayment potential; and (8) analysis of prepayment incentive costs to retain properties/use restrictions.

These objectives will be met using a combination of in-house expertise and private contracts.

HUD OMHAR STRATEGIC PLAN

Question. The HUD OMHAR Strategic Plan indicates HUD will provide assistance to the Department of Agriculture with restructuring the Section 515 Program. What assistance are they providing and are there any plans to allow HUD to perform preservation or other activities for RHS? Is this delaying your Rural Housing Study?

Answer. The HUD OMHAR Strategic Plan referenced is a draft plan that indicates that OMHAR would have the capacity to assist RHS as OMHAR's activities sunset in 2004. At this point, there have been no discussions with HUD as to how OMHAR could assist. However, we plan to meet with HUD to see if OMHAR's underwriting capabilities can be used to assist in meeting the preservation needs of RHS.

SECTION 515 HOUSING PROGRAM

Question. The Committee provided additional funding above the President's request for new construction and rental assistance for the 515 programs. How much funding will be allocated to new construction and please include the associated rental assistance cost and units?

Answer. Of the amount Congress appropriated for fiscal year 2003 for Section 515, the agency allocated a total of $29,252,541 for new construction. As of June 6, 2003, we have funded 41 new construction properties containing 984 units for a total funding of $23,616,151. Rental Assistance was provided to 545 of those units totaling $5,990,998 or 55 percent.

MULTI-FAMILY HOUSING STUDY

Question. The RFP for the $2,000,000 study on multi-family housing has never been issued. This is the second year you have not requested new construction funds while awaiting for this study to be completed. What have you learned and when will you be in a position to request new construction funds or legislation to change or replace the 515 programs?

Answer. The study is underway and the RFP is to be issued for portions of the study that will be contracted out in fiscal year 2003. We expect the study to be concluded in the first quarter of fiscal year 2004.

In recent years, RHS has offered little in the way of incentives for Section 515 owners to maintain long-term use. This lack of action and funding has prompted both the courts and—the Congress to consider the provisions of the law that regulates section 515 and provides incentives. All section 515 tenants are low-income—with average incomes of approximately $8,000 and two-thirds are elderly or disabled households.

Question. What is RHS doing to resolve this issue, so that owners are compensated consistent with the law and tenants are not displaced?

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Answer. Our estimates are consistent with those reflected in last May's GAO report that stated 3,872 projects representing approximately 100,000 units/households could be eligible to prepay in the next several years if restrictions on prepayment are lifted.

RURAL HOUSING SERVICE/RENTAL ASSISTANCE

Question. The Section 521 Rental Assistance Program is the largest line item in the entire Rural Development request. On December 18, 2002, I requested the GAO to look into processes of the 521 Rental Assistance Program including the administration of this program and models used to anticipate recurring and future needs to formulate your appropriation request. It is my understanding that the Agency is moving to automate this process for the first time. Preliminary discussions with GAO indicate this program appears to have large levels of unliquidated balances for many reasons. The previous model was flawed in estimating recurring and future costs as reflected in the Department's appropriation requests.

The Secretary's testimony before this Committee on May 8, 2003, insisted that outsourcing is needed specifically for advanced technological needs.

Wouldn't it be prudent to contract with an outside source to help the Agency construct an accurate and efficient program to track and estimate the needs for this program?

Answer. The Agency has developed a working group consisting of staff from the Department's IT Systems Services Division, the Financial Management Division, national office and field staff, and private contractors from Unisys, IBM and Rose International. This team is developing a model based on relevant information elements using several software applications that will provide a mechanism for providing improved information for making budgetary decisions.

Question. This has obviously been a problem for many years. Are you using outside expertise to create or test a new model?

Answer. Early in the rental assistance program, which started in 1978, there was a tendency to overestimate rental assistance needs, mostly due to newness of the program and a lack of history on assistance usage. Our recent analysis of the accuracy of rental assistance projections in the last 6 to 7 years has revealed that the current estimating methods used have been more accurate than in the past. We have acquired a team of professionals from inside and outside of government to create the Rental Assistance Forecasting tool.

Question. Are you using the same staff to provide input that created the previous model?

Answer. Predicting the use of rental assistance has taken many forms over the last 25 years and various methods and staff persons were used to determine obligation amounts. We believe the recent methods of projecting rental assistance usage contain valid parameters for determining future needs, and it is critical to the development of the forecasting tool to include persons most familiar with that process. These staff members provide valuable input, historical knowledge and a keen under-

standing of the variables associated with designing such an estimating tool. A combination of experience and skill to assist in this effort is required.

Question. Have you considered modifying existing systems, such as DLOS, which USDA has spent millions of dollars to modify for RHS needs.

Answer. The Dedicated Loan Origination and Servicing System (DLOS) is underpinned by a commercial-off-the-shelf package that currently does not support the business processes applicable to the making and servicing of Multi-Family Housing loans and the management of projects and rental assistance. It was determined more cost effective and efficient to pursue those systems already in place that support the Multi-Family Housing loan program. These already contain much of the data and have automated processes already in place that would support the development and the integration of the new Rental Assistance Forecasting software. This will reduce the cost of design, development, and deployment as well as more effectively support existing business processes supported by these systems.

RURAL HOUSING SERVICE/HOME OWNERSHIP COUNSELING

Question. The Section 525 technical assistance program for homeownership counseling with a historical level of approximately $1 million has been eliminated with a justification that other sources, including HUD, will provide this service. The President's Budget also eliminates the Office of Rural Housing at HUD to provide technical assistance and build capacity. HUD has been inadequate with the FHA programs in penetrating rural America. In addition, the President and the Secretaries of USDA and HUD have announced changes to increase minority participation in Homeownership. One change required this Committee to transfer $11,000,000 in the 502 guaranteed program to make up for a shortfall during conference.

Do you have a commitment from HUD or others that would ensure our rural areas are not left behind?

Answer. We work with many agencies, including HUD, State housing finance agencies, local housing authorities and local non-profit housing groups to ensure that rural areas receive a fair share of housing assistance, including homeownership counseling. Homeownership counseling is also provided by our Section 523 Grantees to those families who participate in the Mutual Self-Help Housing Program. A Memorandum of Understanding is being developed between the Rural Housing Service (RHS) and the Federal Deposit Insurance Corporation (FDIC) to make available training for potential rural homeowners using the Money Smart financial literacy program. Our field staffs have received training and are already using this program as another tool in providing homeownership counseling.

Question. Does this Administration believe homeownership counseling is an intricate part of the success of homeownership and wouldn't this small investment add value; especially when you are reaching out to historically undeserved minority communities and individuals?

Answer. We believe homeownership counseling is a critical factor in becoming a successful homeowner. However, funding for homebuyer education programs is available through numerous other Federal, State, and local government and non-governmental sources. For example, in 2002, HUD awarded more than $18 million for its Housing Counseling Programs in urban and rural areas across the country.

RURAL HOUSING SERVICE/SELF-HELP HOUSING

Question. In fiscal year 2003, the Rural Housing Service had a large percentage of carryover-appropriated funds for the Self Help Housing Grant fund.

What is the actual need to meet obligations in 2004?

Answer. We anticipate the actual need in fiscal year 2004 to be $34,000,000. About $24,000,000 of this amount would be used to refund 75 existing grantees. The rest would be awarded to new grantees brought to meet contract needs.

RURAL HOUSING SERVICE/FARM LABOR HOUSING

Question. In the Secretary's testimony for the May 8, 2003 Appropriation hearing, she indicated that the rental assistance request is enough for all renewals including supporting new construction of $59 million for farm labor housing projects. In a recent briefing with the Committee staff, the Department indicated that only 170 units of rental assistance would be used for farm labor. Additionally, these projects require a large percentage (around 80 percent) of rental assistance for each facility, which averages around 40 units.

How will you utilize $59 million to construct farm labor housing with only enough rental assistance for 4 or 5 projects?

Answer. We have projected to fund 984 farm labor housing (FLH) new construction units from the $59,167,000 appropriations. Of that number we will provide Rental Assistance for 859 units or 87.3 percent of FLH new construction units, which will allow us to continue to operate a viable FLH program. The percentage in prior years was 85 percent in 2002 and 79.5 percent in 2003.

Question. This is a program has low-rehab needs. What will you do with the balance for the loan and grant programs in farm labor?

Answer. For fiscal year 2004, we anticipate to use all of the $59 million in loan and grant funds in FLH. The funds will be made available for new construction of off-farm housing and rehabilitation of properties in the portfolio. The balance of the funds will be used for on-farm new construction and Technical Assistance grants.

Question. Will you make adjustments to this request?

Answer. We do not plan to make adjustments to this request.

BENEFICIARIES REPORT

Question. In 2001 the Department sent to the Congress a report, Rural Housing Service Program Beneficiaries, which analyzed demographically who was getting Rural Housing Service funds.

When will the Department provide another such report; a report that is required annually by the Fair Housing Act?

Answer. This report will be completed within this fiscal year and will cover the period from the last report.

Question. How many units of housing will the Rural Housing Service finance with the budget authority requested in the fiscal year 2004 budget? How does this relate to the need?

Answer. For the Single Family Housing Direct loan and grant programs, RHS will finance the construction or purchase of approximately 17,900 homes with Section 502 Direct Loan funds, 17,000 with Section 502 Guaranteed funds and make more affordable over 2,500 units of refinanced housing, and the repair/rehabilitation of approximately 12,000 homes with the Section 504 Loan and Grant funds. The demand for these programs remains very strong.

For the Multi-Family Housing programs, the fiscal year 2004 President's Budget column reflects what will be financed with the budget authority provided.

[The information follows:]

PROGRAM (MULTI-FAMILY HOUSING)	Fiscal year 2004 Presidents Budget
Total Number of units funded for new construction (fiscal year)	3,143
Sec. 515	0
Sec. 514/516	741
Sec. 514/516 Natural Disaster	0
Sec. 538	2,402
Total Number of units funded for rehabilitation (fiscal year)	9,243
Sec. 515	5,888
Sec. 514/516	978
Sec. 533	2,377
Total	24,772

These figures, which are consistent with prior years, indicate that the Rural Housing Service is making a significant contribution toward meeting the housing needs of Rural America.

I believe these analyses, judging from the one submitted for the Rural Housing Service in 2001, Rural Housing Service Program Beneficiaries, are tools for the Congress, the Department, and the agencies in Rural Development and the Farm Services Agency to monitor civil rights, as well as, programmatic performance. This type of report can tell you who received the funds, what county they are in, what their racial and ethnic background is, and who was successful in obtaining USDA funds. The report also compares the beneficiaries to those eligible for the program, so you can see if you are reaching all eligible populations around the country.

Question. I know we have had a difficult time getting data and analysis from the Department on these programs, wouldn't you agree that this type of analysis would help you respond to us in the Congress as well as to self-monitor your own programs?

Answer. Yes, this type of analysis would help respond to Congress and Rural Development is working to improve data collection.

Rural Development has evaluated all of its program data and reformatted the data to better address the requirement of FHA and other Civil Rights Laws. Additional racial and ethnic data collection has been adopted to the new categories as required by the Office of Management and Budget.

Question. Does the Department have the personnel to perform such analysis?

Answer. Rural Development's report was prepared by a private contractor. Similar reports for other USDA program areas would likely also have to be done by contractor.

I know the Assistant Secretary for Civil Rights' was just established and may have difficulty providing studies such as the one submitted in 2001, so I don't believe we can look there for action. I know the report, Rural Housing Service Program Beneficiaries, was produced by a private group under contract from Rural Development.

Question. Are you prepared, as Rural Development did, to seek non-Federal entities to perform the analysis and write these reports required by law?

Answer. We believe such reports can be effectively done in-house or by private contractors. It is important that they meet the specific needs for ethnic data for specific program areas.

ASSET SALES

Question. What programs do you consider for the asset sale and how will you assure that agencies don't repeat 1987 loan asset sales conducted by the former Farmers Home Administration when they sold only seasoned loans for approximately 55 cents on the dollar?

Answer. All farm loan programs, both performing and non-performing loans, will potentially be considered for the loan asset sale. However, FSA will participate with RD in a study to determine whether or not there is any market for the loans and whether or not there would be any net savings to the Government after factoring in the cost of the sale. If it is determined that there will be no net savings, it is not likely that the farm loans will be considered for an asset sale.

As noted above, FSA will conduct a study to determine whether or not there will be a net savings to the government before farm loans are considered for an asset sale.

Question. Will these assets also be heavily discounted and if so isn't this the same as reducing a portion of the debt to the borrowers and allowing them to refinance with the private sector?

Answer. If it is determined that the farm loans will not yield any net savings to the Government, it is not likely that they will be considered for an asset sale.

RURAL BUSINESS SERVICE

Question. The Rural Business Investment Program (RBIP, Sec. 6029) is currently required to use another Federal agency to carryout the program. Is this arrangement adequate, or should the Department have the authority to contract with non-Federal groups or deliver this program in-house?

Answer. Rural Development and SBA have jointly identified certain impediments with the current legislation. While we are continuing to work toward resolving these impediments, we may find it necessary to propose some legislative changes.

Question. How does the agency protect a property acquired by a Rural Enterprise grant from allowing the recipient to take an equity loan on a facility or selling the equipment? Is any instrument filed by the Government at the courthouse to protect the Government's interest?

Answer. Rural Business Enterprise Grants are governed by Section 3019.37 of 7 C.F.R., which provides that Federal agencies may require recipients of grants to record liens or other appropriate notices of record to indicate that personal or real property has been acquired or improved with Federal funds, and that use and disposition conditions apply to the property. These requirements are spelled out in the Grant Agreement and/or Letter of Conditions that is signed by the Agency and Grantee.

Question. A recent news report referred to a Business and Industry loan provided to a company that was found to have violated other Federal requirements and was forced to pay penalties to the Federal Government. The report indicated that proceeds from the B&I loan went to pay these fines. Is this allowed under the current regulations and, if so, is this good policy? Can you please explain in detail how this loan was approved?

Answer. We are not familiar with the news report to which you refer. Not knowing the specifics of the project, it is hard to provide more than a general answer. Program regulations do not specifically prohibit the payment of fines, but prudent

lending decisions would dictate the proper action. Most guaranteed loans are approved at the State Office level. It would be up to the approval official to evaluate each individual application on its own merits, assess the causes of any fines or penalties, and evaluate any adverse affect on repayment ability. We do not know the amount or purpose of the fines. It is possible that a business owner purchased property with existing environmental problems of which he was unaware. It is possible that the lender and borrower did not make the Agency aware of the fines, nor that B&I funds were used to pay the fines.

RURAL ECONOMIC DEVELOPMENT LOAN AND GRANT PROGRAM

Question. The Farm Security and Rural Investment Act of 2002 (Farm Bill), which was signed into law by President Bush last May, included a new provision providing for private sector funding for the Rural Economic Development Loan and Grant (REDLEG) program. The REDLEG program provides zero-interest loans and grants for projects such as business expansion and start-up, community facilities, schools and hospitals, emergency vehicles, and other essential community infrastructure projects in rural America. In Wisconsin alone, this program has provided 59 grants/loans totaling nearly $13 million while leveraging an additional $59 million and creating over 1,800 jobs. This new source of private funding for REDLEG is provided through fees assessed on qualified private lenders receiving a guarantee under Section 313 A of the Farm Bill. The authorizing language is very straightforward on this matter and incorporates specific and strong protections to the government to ensure the safety and soundness of the program. In fact, the Farm Bill Conference Report notes that this new provision "effectively places the lender between the RUS and the borrower minimizing the risks to the government." It is clearly stated in the Farm Bill that the Secretary has 180 days from the date of enactment to issue regulations and 240 days to implement the program. Both deadlines has come and gone and not even draft regulations have been issued. I am concerned that by the time regulations are issued with the appropriate following public comment period and then final program implementation, USDA may well be into the next fiscal year and lose the $1 billion guarantee program level Congress appropriated for this fiscal year.

What steps are you taking to expedite this process and will you have something published this fiscal year?

Answer. The Rural Utilities Service is in the process of addressing the issues that came about through the normal review process within the Administration. The regulation should be published in the near future.

Question. Does this Committee need to do anything else to assist the Department in this effort?

Answer. No, the Committee does not need to do anything else.

COMMUNITY FACILITIES

Question. The Rural Community Development Initiative (RCDI) imposes a one-to-one match requirement. Is this a problem serving low-income communities that lack capacity compared to, for example, national organizations?

Answer. The point system used for ranking RCDI applications gives priority to small, low-income rural communities. We have no way of determining if some organizations are discouraged from applying by the requirement for matching funds. However, there have been more loan applications than could be funded in recent years.

Question. What lead to the change to allow the Federal match and are we funding other USDA entities like Extension Service and is this good policy?

Answer. The matching funds requirement is mandated by Congress. The Extension Service and other USDA agencies are not eligible to receive RCDI funding.

Community Facilities (CF) Direct Loan—The CF direct program has never had a negative subsidy. This program has had a generally flat program level of $250,000,000 for years. Additionally, the Agency adjusts the interest rates to the customers on a quarterly basis on the 11th bond buyer's index. On the 3 week at the end of the quarter, the Agency averages the bond buyer's index for the previous three months and sets a new interest rate for the next quarter.

Question. The current rates to the borrowers are as follow: Poverty, 4.5 percent; Intermediary, 4.78 percent; Market, 5 percent. Without any budget authority, is the Agency exposed as we move through the appropriation process with higher anticipated interest rates? Wouldn't a slight rise in the interest rates have a tremendous impact on this program and the end customers? What are the factors that lead to a negative subsidy rate for the first time?

Answer. All direct loan programs are exposed to risk related to a rise in interest rates as we go through the appropriation process. That is a part of credit reform budgeting for direct loans. Subsidy costs tend to increase when interest rates go up and to decrease when interest rates go down. Other factors that determine the subsidy rate include disbursement rates, average loan terms, percentage of program level obligated at each interest rate, grace period for principal, repayment schedule, and recovery of payments that are behind schedule. The primary factor that has changed creating the negative subsidy factor is the overall cost of money to the Federal Government.

RURAL UTILITIES SERVICE/WATER AND WASTEWATER PROGRAM

Question. The 2002 Farm Bill provided mandatory funds to meet the requirements of a portion of the backlog for water and wastewater applications. The fiscal year 2002 request dramatically reduces the portion of grant funds available for this program. I understand that you have applications in a pre-application stage, applications that have been approved for funding and are expected to be funded with available dollars, and applications which have been approved for funding but for which resources are not available.

What level of applications which had been approved for funding were still unfunded after the Farm Bill mandatory funds were made available?

Answer. At the end of fiscal 2002 there were 762 complete loan applications on hand totaling $1,363,369,609 and 561 complete grant applications on hand totaling $706,527,731.

Question. How many applications were funded with the Farm Bill mandatory funds and how many additional applications approved for funding were unfunded?

Answer. A total of 393 projects were funded with the Farm Bill mandatory funds and a total of 786 additional applications were unfunded at the end of fiscal year 2002.

Question. As of May 1, 2003, how may applications are approved and waiting for funding but are not expected to be funded in fiscal year 2003, and what is the cost of funding these applications?

Answer. It is estimated that approximately 500 complete applications will not be funded in fiscal year 2003. It is estimated that the cost of funding these applications is approximately $1.0 billion.

Question. As of May 1, 2003, how many applications have been submitted that are in the pre-application stage, and what is the expected cost of funding these applications if they are all approved.

Answer. There are a total of 820 incomplete applications on hand. The total cost of funding these incomplete applications is estimated to be $1.5 billion.

Question. Of the applications approved for funding, what is the total of grant necessary to fund these applications?

Answer. The total amount of grant needed to fund the complete applications on hand is estimated to be $763,852,491.

Question. How many applications will not be funded in fiscal year 2004 due to the Administration's reduction in grant funds since those applications need a higher rate of grant funds to cash flow, and from what States are those applications generated?

Answer. Nationally, the applications remaining in the backlog indicate an increasing demand for loan funds, which could mean that there would be no change in the number of applications funded and unfunded. It is anticipated that fiscal year 2004 will be no different than any other fiscal year in that a number of applications will be unfunded in each State.

Question. Will the Administration's proposal to reduce grant levels mean that it is intended to pass on a higher portion of the project cost to lower income Americans or does it mean that it is intended that this program shall be more targeted to more affluent communities?

Answer. It is believed that neither one of these is the case. The program remains committed to directing loan and grant funds to the smallest communities with the lowest incomes, while providing financial assistance that results in reasonable costs for rural residents, rural businesses, and other rural users. The substantial reduction in interest rates that has occurred over the past 10 years has made projects funded through loans more affordable.

Question. Will the customer historic rates for water and sewer increase for the States as a result of debt serving a larger portion of the projects with loans funds instead of a higher grant infusion and have you conducted any analysis on the impact to low and very low-income communities?

Answer. It is believed that the customer's historic rates for water and sewer will not increase at this time. Matching loan and grant funds to meet the needs of local communities is always challenging. A project's financial feasibility is determined based on its ability to repay a loan and at the same time maintain reasonable user rates. With the additional funding from the Farm Bill, we were able to fund a significant number of applications that needed grant funds to develop a feasible project. The loan-grant mix on the 393 Farm Bill projects was 50/50. Fortunately, we were able to reach many projects that needed significant grant support. This resulted in a reduction in the backlog particularly in projects with a heavy grant demand. Nationally, the applications remaining in the backlog indicate an increasing demand for loan funds.

A formal analysis has not been conducted on the impact to low and very low-income communities.

PUBLIC TELEVISION

Question. Public television stations are facing a Federal mandate to convert all of their analog transmission equipment to digital. The deadline for public television stations to make this conversion recently passed on May 1, 2003. 195 stations have filed with the FCC for extensions of the deadline. Of the stations that cited financial hardship as reason for a waiver, 70 percent of them serve predominantly rural areas.

Last year, members of this committee recognized that public stations serving rural areas would experience financial hardship as one of the obstacles to meeting the Federally mandated deadline. To assist these stations, the committee included $15 million in the Distance Learning and Telemedicine program specifically to address these needs.

Committee staffs have recently met with both budget officers and attorneys in your department about funding for this purpose. Further, I understand that your agency has neglected to develop a plan for awarding these funds. It is my understanding that the reason for the delay in awarding these funds is because your department does not feel that there is significant congressional direction to implement this program for public television. I have read both the Senate report language as well as the Omnibus report language and I think that Congress was explicit in their intent to award these funds. I might add that we put those funds in there for this specific purpose—to provide funding for rural public televisions stations.

Please explain why you are choosing to ignore a directive from this committee?

Answer. Rural Development is aggressively seeking the implementation of a Notice of Funds Availability (NOFA) that would make this funding available this summer. The NOFA will outline funding parameters and set forth eligibility requirements to allow for the most equitable distribution of this grant funding.

WIC CONTINGENCY FUND USE IN 2003

Question. Does USDA currently anticipate the need to use any of the contingency funds provided in fiscal year 2003 in order to maintain full WIC participation in fiscal year 2003.

Answer. Based on our current assessment of State agency funding requirements, we do not anticipate using contingency funds in fiscal year 2003 in order to maintain WIC participation. Any projected shortfalls by individual States will be managed through conventional reallocations.

2003 WIC FARMERS' MARKET GRANTS

Question. Please provide an update on funds provided in fiscal year 2003 for the WIC Farmers' Market Program, including the amount of funds obligated to date, and information regarding the specific grants. Further, please include the total number and total amount of requests received for the WIC Farmers' Market Program.

Answer. A total of 44 State agencies requested and received to date, $23,619,504 in funds as reflected in the attached chart. We have advised State agencies of the opportunity to request additional funding, given that $1,380,496 remains available from the $25 million appropriated for the program. Some State agencies have expressed an interest in receiving additional funds. Therefore, we are collecting this information and expect to allocate additional funds by July 2003. The grant allocations through May 22, 2003 are provided for the record.

[The information follows:]

WIC FARMERS' MARKET NUTRITION PROGRAM

State Agency	Fiscal Year 2003 Program Grant [1]
ALABAMA	$239,850
ALASKA	290,029
ARIZONA	303,333
ARKANSAS	245,000
CALIFORNIA	3,097,875
CHICKASAW, OK	40,000
CONNECTICUT	409,879
D.C.	339,276
5 SANDOVAL	6,337
FLORIDA	366,543
GEORGIA	309,243
GUAM	123,457
ILLINOIS	322,166
INDIANA	284,696
IOWA	641,320
KENTUCKY	230,000
MAINE	85,000
MARYLAND	624,843
MASSACHUSETTS	607,229
MICHIGAN	515,490
MINNESOTA	396,667
MISSISSIPPI	86,766
MISSOURI	257,137
MS. CHOCTAWS	14,500
MONTANA	70,000
NEW HAMPSHIRE	129,047
NEW JERSEY	1,118,411
NEW MEXICO	392,891
NEW YORK	4,083,332
NORTH CAROLINA	365,470
OHIO	329,446
OREGON	363,067
OSAGE TRIBAL COUNCIL	31,325
PENNSYLVANIA	2,312,386
PUEBLO OF SAN FELIPE	8,666
PUERTO RICO	1,301,308
RHODE ISLAND	198,313
SOUTH CAROLINA	132,530
TENNESSEE	96,000
TEXAS	1,650,000
VERMONT	75,676
WASHINGTON	308,000
WEST VIRGINIA	70,000
WISCONSIN	747,000
TOTAL	23,619,504
Fiscal year 2003 Available Funds	25,000,000
Total Funds Allocated	23,619,504
Remaining Available Funds	1,380,496

[1] Funds Allocated Thru May 22, 2003.

WIC VENDOR PRACTICES EVALUATION

Question. Please provide an update on the evaluation of WIC vendor practices, for which $2 million was provided in fiscal year 2003. When will the evaluation be complete, and does USDA anticipate any changes in WIC guidelines as a result of this evaluation?

Answer. We anticipate that an evaluation contractor will be selected and a contract awarded by September 30, 2003. Data collection will occur in 2004 with a final report expected in 2005. This will be the first study of WIC vendor management

practices since the WIC Food Delivery Systems final rule, which was published on December 29, 2000. WIC State agencies were required to implement the rule by October 1, 2002. We expect that an examination of the efficacy of existing State high-risk vendor identification systems will result in additional guidance to help States to target more effectively their limited investigative resources toward vendors that are most likely to overcharge on food instruments or commit other serious violations.

ROUNDING-UP FOR WIC FORMULA

Question. The Senate included report language last year regarding the amount of infant formula issued to WIC participants each month and the variety of infant formula can sizes. Has FNS taken any action in regard to this report language? Please provide an update.

Answer. The Department has a proposed rule in the initial stages of clearance that would, as drafted, allow WIC State agencies to round up to the next whole can size of WIC formula (infant formula, exempt infant formula, or WIC-eligible medical food) so that participants can receive the full amount of formula authorized in WIC regulations. We intend to publish the proposed rule by September 2003.

WIC MANDATORY FUNDING

Question. Has USDA taken any position on any proposals to modify the WIC program from a discretionary program to a mandatory program during the reauthorization of the Child Nutrition Act, or at any other time? If so, what is the position of USDA?

Answer. As stated in Food and Agriculture Policy: Taking Stock for the New Century of particular urgency is ensuring dependable funding for WIC. There may be advantages, programmatically as well as from a budget formulation perspective, in redefining WIC as a mandatory spending program. There has been no formal proposal and the Administration has taken no formal position on any proposals to modify the WIC program from a discretionary program to a mandatory program. In the current budget environment, the Administration is likely to be wary of putting more spending on the mandatory side of the budget.

WIC STUDIES AND EVALUATIONS

Question. The President's budget requests an increase of $5 million for studies and evaluations. Please provide more detailed information on the type of studies planned with this increased funding, and the information that will be obtained through these studies.

Answer. This increase will be used for a comprehensive study to evaluate the effectiveness of the WIC program.

While studies by FNS and other entities have long shown that WIC is cost-effective in improving health and nutritional outcomes for specific populations, a comprehensive evaluation has not been recently completed. The program faces a range of emerging issues and challenges, including changes in the demographics of WIC recipients, the need for better coordination with other programs, staff development and retention, and the use of new technologies to improve customer service and maintain program integrity. Detailed research plans are under development within USDA. We will be happy to share this with the Committee once they are finalized.

WIC MANAGEMENT INFORMATION SYSTEM REQUEST

Question. The President's budget requests an increase of $30 million for State Management Information Systems, to replace old and antiquated WIC systems. What are the specific spending plans for this funding? Will all of the $30 million be spent in fiscal year 2004? If not, how and when will each portion of the funding be spent? Is this $30 million increase a one-time request for fiscal year 2004, or do you anticipate requesting another increase in fiscal year 2005 and beyond?

Answer. We intend to fully obligate the funds in fiscal year 2004 for planning activities and system design and development work. Funding decisions will be made in accordance with a Capital Planning and Investment Plan we are preparing in conjunction with OMB. Funds obligated in fiscal year 2004 will ultimately be contingent upon State agency progress in forming consortiums, determining State agency needs, and actual award of procurement contracts as specified in our Plan.

The requested $30 million is part of a multi-year plan for WIC system development that should be completed no later than fiscal year 2008.

BREASTFEEDING PEER COUNSELING REQUEST

Question. How will the $20 million increase for breastfeeding peer counseling, in the President's budget, be distributed? Will there be any evaluation of this effort to increase the number of women who choose to breastfeed?

Answer. These funds would be awarded on a competitive grant basis to the WIC State agencies. Restricting the use of these funds to breastfeeding peer counselor programs would ensure that peer counselors are available at a majority of the WIC agencies nationwide. The selection criteria for awarding grant funds to the WIC State agencies is still under consideration. However, we expect the components of a successful peer counselor program to provide education and support to WIC clients through: (1) repetitive contacts throughout the prenatal period in the WIC clinic; (2) postpartum hospital visits; (3) home visits, (4) follow-up phone calls; (5) addressing barriers and encouraging family support; and (6) culturally sensitive breastfeeding management and education within the context of limited financial and social resources.

Prior to developing our budget request, we examined the research on use of breastfeeding peer counselors. The research indicated that use of breastfeeding peer counselors has proven to be an effective method of increasing breastfeeding duration rates among the WIC target population. To ensure that WIC breastfeeding peer counseling is effectively implemented, we plan to monitor and evaluate the effectiveness of breastfeeding peer counseling on WIC breastfeeding initiation and duration rates, but no formal evaluation is planned.

WIC FOOD PACKAGE REVISION STATUS

Question. I recently received a letter from Secretary Veneman, dated March 11, stating that the updated WIC food package is expected to be published in early summer. Please provide a specific date by which this is expected to occur.

Answer. The letter you refer to, dated March 11, 2002, outlined the Department's plans to publish a proposed rule to amend the WIC food packages by early summer 2002. Since that time, in light of emerging nutrition-related health issues and the new research-based Dietary Reference Intakes, the Department instead plans to publish an Advanced Notice of Proposed Rulemaking (ANPRM) on the WIC food packages in late summer 2003. Also, a Statement of Work has recently been submitted to the Institute of Medicine's (IOM) Food and Nutrition Board requesting that it undertake a review of the research on nutrients lacking in the WIC population's diet and the WIC food packages. We are asking the IOM to make recommendations for possible changes to the WIC food packages, based on the best available science. They will also consider recommendations from the National WIC Association and comments received in response to the ANPRM. IOM recommendations and the Department's proposed decisions on how to implement them will be submitted for public review and comment through a Notice of Proposed Rulemaking. We have developed an accelerated timeline to ensure publication of a final rule before the close of fiscal year 2005.

WIC OBESITY PREVENTION EFFORTS

Question. The President's budget requests an increase of $5 million for obesity prevention projects to be carried out in WIC clinics, including evaluations of those projects. Does USDA intend to try and replicate successful projects throughout the country when reasonable? Further, does USDA anticipate additional funding needs for obesity prevention within the WIC program in the near future?

Answer. FNS plans to use these funds to implement and rigorously evaluate a series of interventions in multiple WIC clinics to prevent childhood obesity. FNS will encourage States and local WIC agencies to implement any cost-effective approaches identified through the evaluation.

FNS will use the results of the evaluation to determine the need for additional funding. If cost effective approaches to preventing childhood obesity are identified, FNS may request additional funding to assist State and local WIC agencies in implementing these approaches.

FREE AND REDUCED PRICE LUNCH CERTIFICATION

Question. The President's budget includes an increase of $6 million for activities to explore policy changes to help ensure that all children receiving free and reduced price meals are eligible for them. According to the budget, some of the ways in which USDA seeks to improve the accuracy of eligibility decisions include mandating the use of Food Stamp and TANF records to directly certify eligibility of children already participating, or to use a "combination of third-party wage data" and

other expanded requirements for up-front documentation for children not currently receiving free or reduced price school lunches.

Does USDA believe that these increased certification requirements will not only identify ineligible children who are currently receiving benefits, but also children who are currently receiving reduced price lunches but are in fact eligible for free lunches?

Answer. Yes. We expect that using Food Stamp records to directly certify children for free meals, and other program improvements, will help to identify more children who are eligible for free breakfast and lunch, but currently pay for school meals at reduced or full price, and certify them for free meals.

We also intend to address this issue through our $6 million budget request to explore methods to enhance the targeting accuracy of the free and reduced price eligibility determination system.

USDA has identified two fundamental problems in the current system. First, there is a substantial number of children approved for free and reduced price meal benefits on the basis of an application that are not income-eligible for the benefit level they are receiving. These children are over-certified. FNS believes that the vast majority of over-certified children are approved on the basis of an application provided to their school district, while there are very few over-certified children approved on the basis of direct certification.

Second, there are a significant number of income-eligible children that are not approved for the level of benefits associated with their income-level. For example, some households eligible for free or reduced price meal benefits are not approved for either level of benefits. When these children receive an NSLP lunch, they must pay full price. Likewise, there are some households eligible for free meal benefits but who are approved for reduced price meal benefits. Funds requested are designed to consider methods to address both fundamental problems.

SCHOOL LUNCH CERTIFICATION ACCURACY

Question. Please explain the proposals listed in the budget a little more fully, specifically the "combination of third-party wage data and other expanded requirements." If USDA has updated their proposals, please explain the most current ones.

Answer. Through the President's Budget request and the reauthorization of the Child Nutrition Programs, USDA will seek to improve the accuracy of program eligibility determinations, while ensuring access to program benefits for all eligible children, and reinvesting program savings to support program outcomes. Our current recommendations to improve integrity include:

—Requiring direct certification for free meals through the Food Stamp Program, to increase access among low-income families, reduce the application burden for their families and schools, and improve certification accuracy.

—Enhancing verification of paper-based applications by drawing verification samples early in the school year, expanding the verification sample; and including an error-prone and random sample.

—Minimizing barriers for eligible children who wish to remain in the program by requiring a robust, consistent effort in every school to follow-up with those who do not respond to verification requests.

—Initiating a series of comprehensive demonstration projects to test alternative mechanisms for certifying and verifying applicant information, including use of wage data matching that identifies eligible and ineligible households.

—Planning for a nationally representative study of overcertification errors and the number of dollars lost to program error.

IMPROVING CERTIFICATION ACCURACY

Question. How does USDA intend to make sure that increased certification requirements do not drive away any child who is eligible for a free or reduced-price school lunch, regardless of whether or not they are currently participating?

Answer. The Administration is committed to maintaining and improving access to low-income children who rely on free or reduced-price school meals. We have had a continuing dialogue with the Congress, the school food service community, and program advocates, and have been working to develop and test policy changes that improve accuracy but do not deter eligible children from participation in the program and do not impose undue burdens on local program administrators. Recommendations we support include:

—Requiring direct certification for free meals through the Food Stamp Program. As provided for in the Child Nutrition reauthorization, this would increase access among low-income children and reduce the application burden for their

families. Current evidence suggests that while direct certification is much more accurate than the standard application process it is not yet widely used.

—Requiring school districts to follow up and make contact with households that do not respond to verification requests, in writing and by telephone.

—Streamlining the process for those who must still submit paper applications by requiring a single application for each household.

—Providing for year-long certifications in both paper-based applications and direct certifications, eliminating the need to report income changes during the year.

USE OF SAVINGS FROM CERTIFICATION ACCURACY

Question. Secretary Veneman's testimony stated that the Administration would fully reinvest any savings that result from improved payment accuracy to strengthen the programs. How specifically will those savings be reinvested?

Answer. The Administration's decision to fully reinvest any savings back into the programs is an essential aspect of our commitment to improving program integrity and program access.

A majority of the savings will be reinvested to promote access to the programs for all those eligible for them. Some specific proposals in this area include increasing the regular free and reduced-price school breakfast rates to the severe need rate, to encourage additional schools to deliver the School Breakfast Program, and to exclude military housing allowances from income, expanding eligibility and improving access for families serving in America's armed forces.

Savings will also be used to encourage children to make positive choices about what they eat, how much they eat, and how active they are. This could include proposals such as providing expanded funding to support the delivery of nutrition education messages and materials in schools and conducting a large-scale demonstration project and evaluation to test the impact of a healthy school nutrition environment on student's nutrition and well-being in schools across the Nation.

IRRADIATED MEAT IN SCHOOL LUNCHES

Question. Please provide an update on any plans by USDA to introduce irradiated meat into the school lunch program.

Answer. Product specifications will be released May 29, 2003 and schools will have the option to order irradiated beef beginning January 2004. This allows ample time for schools to educate parents and the community so that informed decisions can be made. Should schools decide to order product, this also allows schools ample time to notify parents. In addition, irradiated beef manufacturers will have the opportunity to study and implement the specifications prior to orders from schools in January. The decision to order and serve irradiated ground beef will be left to each school food authority.

Farm Bill conference report language indicates that USDA should consider "the acceptability by recipients of products purchased" by USDA for commodity distribution. Therefore, before irradiated ground beef products are made available for order by schools, USDA will make every effort to encourage schools to educate food service personnel, parents, and the community concerning irradiated ground beef products. Shortly after the release of specifications, FNS will provide all school districts with an informational package to help them to decide whether to order irradiated beef products beginning January 2004. The package will be mailed in June 2003 and will include a letter from Under Secretary Bost strongly encouraging schools to notify parents, students, and the community if they are planning to order irradiated beef. In addition, the package will include a brochure with answers to commonly asked questions about irradiation. This letter will also include Web site addresses for the brochure as well as the site for the U.S. Food and Drug Administration (FDA) irradiation consumer information. The letter will give information regarding the community educational materials currently under development by the State of Minnesota that will be available to schools in the fall of 2003.

FRUIT AND VEGETABLE PILOT

Question. The pilot programs that have provided free fruits and vegetables to students have been deemed extremely successful, and the USDA has stated that it would like to expand these pilot programs. Has USDA taken any specific steps to try and expand these programs in the most cost-effective manner?

Answer. Public Law 108–30, enacted May 29, 2003, extends the ability of schools participating in the Fruit and Vegetable Pilot Program, which was authorized in the Farm Bill, to use any remaining funds to continue the pilot in the 2003–2004 school year. Schools were unable to expend the funds completely this past school year because the grants were not made until the middle of October and schools then needed

time to implement the pilot. We will continue to work closely with participating schools, providing support and technical assistance, through next school year. We stand ready to provide technical assistance to Congress, upon request, on this issue. An evaluation of the pilots, submitted by USDA to Congress in May 2002, demonstrated great popularity among participating schools; however, empirical evidence was not available to allow us to evaluate the impact of the pilots on dietary or health outcomes.

SCHOOL MEALS AND CHILDHOOD OBESITY

Question. There have been many reports of the drastic increase in childhood obesity, and questions have been raised about the role of school meals in this trend. What actions are USDA taking to ensure that meals provided to children during school hours are nutritious and do not contribute to childhood obesity?

Answer. Currently, the Richard B. Russell National School Lunch Act requires schools to offer program meals that meet USDA's nutritional standards. In a recent report, the General Accounting Office (GAO), citing USDA studies, found that schools have made measurable progress nationwide, in meeting USDA nutrition requirements and other guidelines. GAO noted that additional improvement is needed not only in meeting the nutrition requirements, but also in encouraging students to eat more healthfully.

FNS is currently working on updating guidance and providing training to assist States in providing schools with the technical assistance needed to bring all meals up to the nutrition requirements identified in program regulations. The more difficult problem is teaching children to eat more healthfully. Most schools secure additional revenues by offering children "other foods" a la carte during times of meal service, in school stores, in vending machines, and in other venues that compete with the school meals in the cafeteria. There are no nutritional standards for these "other foods", except that when sold in the cafeteria during meal service periods they cannot be "foods of minimal nutritional value."

GAO noted that FNS has several major school nutrition initiatives—Team Nutrition, Changing the Scene, and Eat Smart.Play Hard.™—that play an important role in encouraging schools to serve nutritious foods and encouraging children to eat well. FNS is also working with the Centers for Disease Control, the Department of Health and Human Services, and the Department of Education to support the Administration's HealthierUS initiative. However, not all schools participate in these initiatives.

FOOD PROGRAM PARTICIPATION IN WISCONSIN

Question. There were recently two articles in the Milwaukee Journal Sentinel regarding Wisconsin's difficulty in getting Federal food aid to hungry people within the State. While some of these problems are due to complicated Federal regulations, other difficulties are due to the complex State applications people are required to fill out, and a lack of outreach to eligible participants. Do you currently have, or are you pursuing through Child Nutrition reauthorization, any programs that will provide outreach and assistance to States such as Wisconsin to help them increase the numbers of people they are serving?

Answer. While we are aware of problems in certain areas of the State, it is important to note that Wisconsin's Food Stamp Program (FSP) participation has substantially increased in recent years. For instance, between February 2001 and 2003, Food Stamp participation increased by 39 percent in Wisconsin, compared to 22 percent nationally. Furthermore, the FSP has several outreach activities underway to help States like Wisconsin increase the number of eligible people that they are serving. One is a web-based pre-screening tool that will be launched this Summer to allow interested persons to learn quickly if they might be eligible for FSP benefits and the approximate benefit amount they might receive. Another is a bilingual toll-free number allowing callers to receive educational materials about the FSP and how to apply.

Regarding the Child Nutrition Programs, the Administration believes that ensuring access to program benefits for all eligible children should be one of the guiding principles of the Child Nutrition reauthorization. To advance this principle, we would support using savings from an improved eligibility certification process for the National School Lunch Program for proposals such as:

—Streamlining the school meal programs by fostering common program rules and policies, supporting program operators in improving access to the programs.
—Increasing the regular free and reduced-price breakfast rates to the severe need rate for all schools participating in the School Breakfast Program, to encourage more schools to participate in the program.

—Mandating direct certification for free meals through the FSP, which would add low-income children to the program while reducing the application burden on their families.
—Expanding the 14 State Summer Food Service Program Pilots ("Lugar" pilots) to all States, thus eliminating cost accounting for reimbursement in the Summer Food Service Program (SFSP).
—Expanding permanent authority for proprietary child care centers with 25 percent of their enrollment at free and reduced-price to all States who participate in the Child and Adult Care Food Program. Currently, only 3 States have this authority.

WISCONSIN SCHOOL BREAKFAST PROGRAM PARTICIPATION

Question. Wisconsin ranks last in getting school breakfast to needy children. Morning meals were served in only 44 percent of Wisconsin schools that also serve lunch, compared with 78 percent nationally. It seems to me that we should be able to turn this situation around. As I understand, with the combination of start-up grants we have provided in the last three Appropriations bills—and that we hope to make a national program by next year—and State and Federal subsidies, a Wisconsin school district can run a breakfast program at minimal to no cost to the district. Given the great benefits to the students of a school breakfast program, I have to believe that many Wisconsin school districts aren't offering breakfast because they simply do not understand how easy it would be to set up and run the program.

Can USDA commit to me that they will work with my office to develop a plan to "sell" the school breakfast program to Wisconsin school systems?

Answer. We share your concern regarding the low participation rate of Wisconsin schools in the School Breakfast Program (SBP). In fiscal year 2003, the Food and Nutrition Service (FNS) has made promotion of this program a national priority. In reviewing the level of school participation in Wisconsin, we find the number of schools participating in the SBP has increased from 858 (fiscal year 2000) to 1,127 (fiscal year 2003), a 31 percent increase. Prior to the grant activity (fiscal year 2000), only 35 percent of the schools with the National School Lunch Program also participated in the breakfast program; this has grown to 45 percent in fiscal year 2003. This growth is encouraging and likely represents the Wisconsin Department of Public Instruction's (DPI) efforts to "sell" the program.

In addition to schools not understanding how easy it would be to set up and run the SBP, a number of other factors that are not within the control of the State agency or school food service may affect a school's decision to participate in the SBP; e.g., logistics resulting from bussing or scheduling. As a result, it is not clear what level of participation we can hope to expect from Wisconsin schools.

In addition to the School Breakfast Start-up grants which may be used for administrative costs related to program outreach and expansion, DPI receives State Administrative Expense Funds to administer the Child Nutrition Programs. These funds may also be used to promote the breakfast program to schools. USDA will continue to work closely with Wisconsin, as we do with all State agencies, to provide technical assistance. We will also continue to work with our partners in the advocacy community, the Food Research and Action Center and the American School Food Service Association, to generate interest in the program across the country.

WISCONSIN SCHOOL BREAKFAST PROGRAM EXPANSION

Question. Will such a commitment include people and time dedicated to helping these districts understand and design new school breakfast programs?

Answer. The Department of Public Instruction (DPI) is the State agency charged with administering the breakfast program in Wisconsin. In addition to the School Breakfast Start-up grants to be used for administrative costs related to program outreach and expansion, DPI receives State Administrative Expense Funds to administer and promote the Child Nutrition Programs, including the School Breakfast Program.

USDA will continue to work closely with Wisconsin, as we do with all State agencies, to provide technical assistance, as needed. We will also continue to work with our partners in the advocacy community, the Food Research and Action Center and the American School Food Service Association, to generate interest in the program nationwide.

FOOD STAMP REINVESTMENT

Question. Several States, including my State of Wisconsin, have paid several million dollars in penalties in recent years due to misadministration of the Food Stamp Program within the State. However, USDA does allow these States to "reinvest"

those funds in order to try and improve their programs. How are these funds "reinvested"? Are there specific guidelines? Does USDA provide any assistance to States as they are attempting to improve their program?

Answer. USDA's Food and Nutrition Service (FNS) encourages States to settle liabilities incurred due to misadministration of the Food Stamp Program by reinvesting in mutually agreed-upon error reduction activities and management improvements to improve payment accuracy. In recognition that no single approach or set of initiatives work for all areas, reinvestment strategies vary from State to State and reflect each State's unique problems and circumstances. In the past States have reinvested funds in activities such as enhanced training of eligibility workers, computer cross matching to check client data, on-line policy manuals, client education on reporting responsibilities, intensive case reviews, and centralized change reporting functions.

While there is a broad spectrum of potential strategies for reinvestment, there are specific criteria that must be met in determining whether or not a specific activity is allowable. These include a determination that the activity is directly related to error reduction in the State's ongoing Food Stamp Program and has specific objectives regarding the amount of error reduction and type of errors that will be reduced. The activity must also be in addition to the minimum program administration required by law for State agency administration and represent a new or increased expenditure that is entirely funded by State money, without any matching Federal funds until the entire reinvestment amount is expended.

FNS works with States to develop allowable reinvestment strategies and routinely assists them as they attempt to improve their programs. As part of this effort, FNS allocates State Exchange funds to support travel to conferences, workshops, and other meetings between States to facilitate the sharing of effective and efficient program management techniques. FNS Regional Offices also work with States to analyze error data and provide technical assistance in support of corrective action and payment accuracy efforts. These efforts are supplemented by national efforts to monitor and evaluate payment accuracy progress, analyze error rate data and exchange information on payment accuracy best practices and program improvement strategies.

BISON MEAT PURCHASES

Question. The Committee provided $3 million in fiscal year 2003 for the purchase of bison meat for the food stamp program. How much of that funding has been expended? Does the Department anticipate spending the full amount? If additional funding were provided, would USDA encounter any difficulty in expending the funds?

Answer. To date, the Department has spent $789,689 of the $3 million provided to purchase bison meat for the Food Distribution Program on Indian Reservations in fiscal year 2003. The Department anticipates fully expending the remaining funds. Should the same amount or a lesser amount be appropriated under the same terms for this purpose for fiscal year 2004, we believe that it could be fully utilized.

FOOD STAMP PRIVATIZATION WAIVERS

Question. Are there currently any pending or requested waivers of section 11(e)(6)(B) of the Food Stamp Act? Please provide an update of the waiver granted in fiscal year 2002. Is it still in effect, and what have the results been.

Answer. There are no pending waivers of the merit personnel provisions under section 11(e)(6)(B).

In December 2002, the State of Florida requested a modification of its approved fiscal year 2002 food stamp privatization waiver. The expanded request would include all food stamp households in the six demonstration sites, increasing the number of food stamp households participating in the demonstration from approximately 3 percent to approximately 22 percent of the State's food stamp caseload. The Food and Nutrition Service (FNS) denied this expansion request. However, because the State indicated its intention to request the same waiver for the Medicaid caseload, FNS advised the State in April 2003 that we would reconsider the merits of the expanded waiver when the Center for Medicaid and Medicare Services (CMS) at the Department of Health and Human Services reviews the Medicaid waiver. We believe this will ensure the greatest program consistency among the Federal programs. As of this date, the State of Florida has not submitted its waiver request to CMS. In the meantime, we continue to work with the State in its development of a Request for Proposals for the independent evaluator of the demonstration as originally approved.

COMMODITY SUPPLEMENTAL FOOD PROGRAM FUNDING REQUEST

Question. The President's budget requests $94.991 million for the Commodity Supplemental Food Program. This is the same level as requested last year. However, the Congress provided $114.5 million for CSFP in fiscal year 2003, so the net result is a requested decrease of nearly $19 million for this important program for senior citizens and others.

In Dane County, in my State of Wisconsin, food pantry participation has increased 14 percent in the previous year. At the same time, donations are down, so pantries are trying to feed more people with less food. Similar statistics are seen throughout the State, and with the current unemployment rate, relief doesn't seem to be coming any time soon.

With all this information in mind, why wasn't an increase in funding requested for CSFP over the fiscal year 2003 President's request level?

Answer. The President's Budget request for fiscal year 2004 was submitted before the fiscal year 2003 appropriation was enacted on February 20, 2003 and was identical to the fiscal year 2003 request. The fiscal year 2003 appropriation of approximately $114 million significantly exceeded the President's request for $94,991,000.

FUNDING AND CSFP PARTICIPANTS

Question. How many participants does the Administration believe will have to be turned away from this program, if the President's budget request is agreed to by Congress?

Answer. We do not believe that any participants will be turned away from the Commodity Supplemental Food Program (CSFP). Because fiscal year 2003 appropriations increased so significantly over the previous year, and because they were enacted so late in the fiscal year, we anticipate that States will not be able to fill a significant portion of their allocated caseload. Therefore, we anticipate carryover into fiscal year 2004 of about $12 million. Based on the fiscal year 2004 budget request, the anticipated availability of bonus commodities for the CSFP, projected participation levels at the close of the current fiscal year, and unspent funds carried over from fiscal year 2003, we anticipate being able to support a caseload of 530,000. A monthly average participation of 482,000 is projected. It is important to point out that the Food Stamp Program is America's first line of defense against hunger and poor diet quality for people of all ages, and CSFP participants are typically eligible for food stamps.

COORDINATION OF CSFP FUNDING

Question. Was the CSFP request taken into consideration when formulating the budget for other Federal feeding programs such as WIC and the Elderly Feeding Programs?

Answer. The Commodity Supplemental Food Program (CSFP) funding request for fiscal year 2004 was developed independently from the requests for other nutrition assistance programs such as WIC or the Elderly Feeding Program. The other programs cited do not have a direct connection to the level of activity or resource needs of CSFP. The WIC component of CSFP is a small and declining portion of the program and is not significantly influenced by the activity in the WIC Program. The Elderly Feeding Program, now known as the Nutrition Services Incentive Program (NSIP), is no longer a part of the USDA budget request. The program was transferred to the Department of Health and Human Services in fiscal year 2003.

Question. What suggestions and resources does USDA have for people who are turned away from CSFP?

Answer. The Department does not anticipate that eligible applicants will be turned away in fiscal year 2004. It should be noted that the CSFP is not a nationwide program. Currently, it operates in 32 States, on 2 Indian reservations and the District of Columbia. Also, only in a few States is the program administered Statewide. Individuals in need of nutrition assistance that do not have access to CSFP can apply to participate in the Food Stamp Program, which is the Nation's primary nutrition assistance program. In addition, individuals may also be eligible for The Emergency Food Assistance Program, the Women, Infants and Children Program and /or the Nutrition Services Incentive Program which are all administered nationwide.

THE EMERGENCY FOOD ASSISTANCE PROGRAM ADMINISTRATIVE FUNDING

Question. Congress provided the Secretary with the authority to transfer up to $10 million from TEFAP commodity purchases to administration, if the Secretary

deemed it necessary. Have any funds been transferred to date? If so, how much, and if not, does USDA anticipate transferring funding for this purpose?

Answer. On March 27, 2003, State agencies administering the Emergency Food Assistance Program (TEFAP) were notified of their fair shares of the $10 million being made available from TEFAP commodity purchases for program administration. The funds were released to the States in early April.

TEFAP ADMINISTRATIVE FUNDING USE FOR FOOD

Question. Currently, within the TEFAP Program, does USDA have the authority to allow a State to use any of its storage and distribution funds to purchase additional commodities, if feasible for that State? If not, what additional authorities, if any, are needed, and would USDA support such a proposal?

Answer. No. The Emergency Food Assistance Act currently prohibits State and local agencies from using TEFAP administrative funds to make direct purchases of additional commodities. However, in recent years, excluding fiscal year 2003, States were granted authority under Appropriations Acts to convert any portion of their TEFAP administrative funds to food funds for use by the Department to purchase additional commodities on behalf of the States for distribution through TEFAP. To ensure that States are granted this authority on a permanent basis, an amendment to the Emergency Food Assistance Act would be necessary. Since States are in the best position to target available resources to ensure that the nutritional needs of households are met, the Department would support such an amendment.

The Department would not, however, support an amendment to permit States to make direct purchases of additional commodities since, in most instances; States cannot purchase commodities as economically as the Department. Although State and local agencies cannot directly buy food with TEFAP administrative funds, they can use these funds to pay costs associated with the transportation, storage, packaging, and distribution of non-USDA commodities. The Department encourages using TEFAP funds to support gleaning and food recovery initiatives, and the distribution of commodities donated by other sources, because this practice can substantially increase the amount of commodities available for distribution through TEFAP.

SENIORS FARMERS' MARKET NUTRITION PROGRAM

Question. What was the total number of requests received by USDA for the Seniors Farmers' Market Nutrition Program for fiscal year 2003?

Answer. A total of 48 grant applications were received by USDA's Food and Nutrition Service to operate the Seniors Farmers' Market Nutrition Program (SFMNP) for fiscal year 2003. All 36 SFMNP grantees from fiscal year 2002 requested funding to continue their programs. In addition, 12 new State agencies submitted applications to operate the program.

FUNDING FOR SENIORS FARMERS' MARKET

Question. What was the total funding level requested for fiscal year 2003 by the States, and how many and what level of grants were funded?

Answer. The total funding level requested for the Seniors Farmers' Market Nutrition Program (SFMNP) grants for fiscal year 2003 was just under $30 million. The total amount of grants awarded was $16.8 million. The attached chart reflects the individual grant amounts for the 40 State or tribal agencies that received SFMNP grant awards for the fiscal year 2003 market season. The SFMNP grant allocations for fiscal year 2003 are provided for the record.

[The information follows:]

SFMNP STATE AGENCIES	GRANT AWARD FISCAL YEAR 2003
Alabama	$757,760
Alaska	52,221
Arkansas	96,335
California	791,800
Chickasaw	144,845
Connecticut	91,148
District of Columbia	143,080
Florida	96,604
Grand Traverse	96,440
Hawaii	575,246

SFMNP STATE AGENCIES	GRANT AWARD FISCAL YEAR 2003
Illinois	814,352
Indiana	42,297
Iowa	467,997
Kansas [1]	182,439
Kentucky [1]	750,000
Louisiana	284,644
Maine	893,220
Maryland	135,000
Massachusetts	56,900
Minnesota	77,280
Missouri	238,888
Montana	43,313
Nebraska	205,885
Nevada [1]	200,010
New Hampshire	86,000
New Jersey	560,734
New York	1,457,900
North Carolina	54,000
Ohio	1,309,052
Oregon	882,249
Osage Tribal	22,720
Pennsylvania	1,500,000
Puerto Rico [1]	1,000,000
South Carolina	570,925
Tennessee	472,980
Vermont	64,660
Virginia	493,707
Washington	123,720
West Virginia	737,973
Wisconsin	299,579
Total	16,783,903

[1] Indicates New State Agencies for fiscal year 2003.

NUTRITION SERVICES INCENTIVE PROGRAM TRANSFER TO DHHS

Question. Please provide an update or summary on the transfer of the Nutrition Services Incentive Program from USDA to DHHS.

Answer. Before the passage of the fiscal year 2003 Appropriations Act, USDA was still operating the Nutrition Services Incentive Program (NSIP). For the fiscal period prior to the passage of the fiscal year 2003 Appropriations Act, the States obligated a total of $58,114,849. USDA is closing out all financial operations for the current fiscal year for funds provided to the program during the Continuing Resolutions. The Administration on Aging within the Department of Health and Human Services has taken the lead in developing two memoranda of agreement with input from the USDA's Food and Nutrition Service. The first memorandum established roles and procedures for program operations during this transitional year and the second addresses fiscal year 2004 and beyond.

NUTRITION SERVICES INCENTIVE PROGRAM TRANSFER

Question. Was service to any participants interrupted at all during the NSIP transfer?

Answer. Service to participants has not been interrupted during the NSIP transfer. States continue to order and receive commodities for the current program year. Cash has also been provided to States in a timely manner.

NUTRITION SERVICES INCENTIVE PROGRAM FUND ALLOCATION

Question. Were all aspects of NSIP maintained that were specifically mentioned by the Congress? These include ensuring that NSIP funds are allocated on the basis of the number of meals served in a State in the previous year, excluding NSIP from being subject to transfer of administrative or match requirements, and ensuring that States continue to have the option to receive benefits in the form of cash or commodities.

Answer. While the program operated under Continuing Resolutions at USDA, all aspects of the program remained unchanged. All States were provided the opportunity to receive benefits in the form of cash and/or commodities, and all NSIP funds were allocated on the basis of the number of meals served in the previous year. The Department of Health and Human Services, Administration on Aging, has maintained program administration and operation as specified by Congress including the exclusion of NSIP from being subject to transfer of administrative or match requirements.

CHILD NUTRITION PROGRAMS INTEGRITY REQUEST

Question. The President's budget requests a $6 million increase under the Child Nutrition Programs account for "enhanced program integrity in the Child Nutrition Programs." An increase of $1 million is also requested for "enhanced program integrity in the Child Nutrition Programs" under the Nutrition Programs Administration account. What specific activities will be carried out with these two requests and will there be any overlap? Why were these funds requested in two different accounts to apparently carry out the same activities?

Answer. The requests are in separate accounts to support different kinds of activities—analytical program assessment versus State agency oversight—each of which is intended to contribute to enhanced Child Nutrition Program integrity.

The $6 million request under the Child Nutrition Programs account will allow FNS to expand its assessment of free and reduced price meal certification procedures in the National School Lunch and School Breakfast Programs. The agency has been testing a number of potential policy and program changes to improve certification accuracy. The requested funding will build on these efforts, and provide important data needed to inform policy decisions in this area. Specific projects will be selected based on the outcome of work already underway; high priorities include a study of the feasibility, cost, and operational implications of data matching as an additional source of eligibility information, and collecting information that will improve the accuracy of our estimates of the level of error in the program. This activity will help us to comply with the Improper Payments Information Act.

The $1 million increase in the Nutrition Programs Administration account will fund 13 additional staff years to support increased oversight of State agencies and their efforts at improving local level eligibility determinations for the National School Lunch Program.

FNS STUDIES AND EVALUATIONS

Question. Congress provided an increase of $3.195 million in fiscal year 2003 to the Food and Nutrition Service for studies and evaluations, and requested a comprehensive list of planned studies, including the intent and funding level of each study, and the time frame during which each study will be carried out. Please provide the most up-to-date information on all planned studies to be carried out with this increase.

Answer. The Food and Nutrition Service provided the requested list of planned studies to the Committee on April 24. I will provide a copy for the record.

[The information follows:]

NUTRITION ASSISTANCE STUDY AND EVALUATION PLAN FOOD AND NUTRITION SERVICE FISCAL YEAR 2003

America's nutrition assistance programs form a nationwide nutrition safety net to help low-income families and individuals improve their nutritional levels. Together, these programs touch the lives of one in five Americans over the course of a year and, with an expected investment of nearly $42 billion in fiscal year 2003, account for almost 40 percent of USDA's annual budget. Operational assessments that respond directly to the needs of program policy makers and managers are essential to ensure that these programs achieve their mission effectively.

As indicated in House Rpt. 108–010, the Consolidated Appropriations Resolution, 2003, provided the Food and Nutrition Service (FNS) a $3,195,000 increase (for a total of $6,195,000) in the Food Program Administration account for studies and evaluations of the nutrition assistance programs. The conferees directed the Department to report to the Committees on Appropriations on the studies and evaluations to be carried out, including a comprehensive list of planned studies, the intent and funding level of each study, and the time frame during which each study will be carried out. The study and evaluation agenda described here responds to this directive.

The conference agreement also provided $2,000,000 in the account for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) for an

evaluation of WIC vendor practices. Finally, not less than $7,500,000 of the Food Program Administration account is available to improve integrity in the Food Stamp and Child Nutrition programs, a portion of which is used to provide support for related studies. This report consolidates the Agency's spending plans for funds provided from all of these sources.

The study and evaluation agenda described here addresses four key program priorities:

—Improve access to Federal nutrition assistance programs, to ensure that all those eligible for these programs are able to participate. USDA is targeting special efforts in three underutilized programs—Food Stamps, School Breakfast, and Summer Food Service.

—Improve program integrity, to strengthen their operations and maximize their ability to serve eligible children and low-income people while safeguarding the taxpayer's investment in nutrition assistance.

—Build a HealthierUS by better integrating nutrition education into the nutrition assistance programs and promoting healthier lifestyles among those eligible for nutrition assistance.

—Address the emerging epidemic of obesity, especially among America's youth, by improving the programs' ability to promote healthy eating and physical activity.

Improve Program Access

Measuring Program Access, Trends, and Impacts.—This project supports several key analytic tools (including microsimulation) to address program participation trends and impacts. It provides annual estimates of the percentage of eligible individuals who receive food stamps, for the Nation as a whole and for individual States, providing a key measure of the program's effectiveness in reaching its target population. The project also generates annual reports on the characteristics of food stamp participants. In addition, the project provides the primary mechanism through which FNS estimates the caseload and budgetary impact of actual and proposed policy changes. The project is structured to support these activities through fiscal year 2008.

Evaluation of Grants to Improve Food Stamp Participation.—FNS awarded 19 grants to State and local organizations in 2002 to explore innovative approaches to improve food stamp access and increase program participation. Grantees are responsible for evaluating the impact of their approach. This project will provide technical assistance to help ensure that their evaluations meet national technical standards and will synthesize findings across all grants to help inform policy makers about the effectiveness of different approaches. The final report is anticipated in 2005.

National Work Support Center Demonstration.—The rate of receipt of the full package of financial work supports available to low-wage workers is quite low even though it can fundamentally change the return on low-wage work, raising a family well above the poverty level. This project will support a multi-year demonstration to put in place new systems and procedures that make it easier for low-wage workers to access the full range of financial work supports—including food stamps. Funds would be provided to the U.S. Department of Labor, which would serve as the lead Federal agency in a consortium of public and private funders. Initial funding will support the development and implementation of an integrated work support demonstration in selected sites in 2003 and 2004.

Feeding Practices of Low-Income Households When School is Out.—Federal summer feeding programs reach only one in five of the 15 million children who receive free or reduced price school lunches on a typical day during the regular school year. This qualitative study will examine the family dynamics and food security of low-income households with school-aged children during the summer months in an effort to gain a better understanding why low-income families are not participating in the Summer Food Service Program. The final report is expected in 2005.

Improve Program Integrity

NSLP Payment Error Rate Methodology Study.—There is growing recognition that inaccurate certification of eligibility for school meals is a significant problem. The precise size of the problem, however, remains difficult to quantify. This project would explore survey methods for accurate classification of households eligible for free and reduced price meals and examine the cost and burden implications of various methods to estimate the payment error rate in the National School Lunch Program. The final report is anticipated in 2004.

Evaluation of NSLP Application and Verification Pilot Projects.—This evaluation is examining the effect of new school meal application and verification processes on the accuracy of free and reduced price meal eligibility determinations, the difficulty that eligible households have in obtaining benefits for their children, and the addi-

tional workload imposed on school food service staff. Fiscal year 2003 funds will be used to fund remaining tasks of a contract awarded in fiscal year 2002. The final report is expected in 2003.

Case Study of Metropolitan Area Verification Outcomes.—The current pilot tests of alternative free and reduced price eligibility determination systems for school meals does not include any of the largest metropolitan school districts. This study will help fill this gap by collecting application verification results from a number of large metropolitan areas and conducting household interviews with a sample of those who fail to respond to a request for documentation to assess their eligibility for free and reduced price meals. The results will be used to inform discussions related to school meal certification and verification. The final report is expected in 2003.

Feasibility of Data Matching.—This project would assess current State infrastructure and capability to conduct data matching as an additional source of eligibility information in the school meals certification process. An initial census of all States would be followed by feasibility testing in selected States. Fiscal year 2003 funds would be used to fund the initial census and to design the feasibility test. The results will be used to improve the process for determination and verification of student eligibility for school meals. The final report is anticipated in 2005.

WIC Vendor Practices.—This Congressionally-mandated study will examine the extent to which vendors comply with program rules and ensure that proper foods are purchased from retail stores. This would be the first study of WIC vendor management practices since the new vendor management regulations were issued. It will also build on State high-risk vendor identification systems to identify and evaluate the efficacy of high-risk indicators that would allow States to target their limited investigation resources toward vendors that are most likely to be overcharging on food instruments. The final report is anticipated in 2005.

Build a HealthierUS

Assessment of Nutrition Education in the Food Stamp Program.—A key mission area initiative is to improve the nutrition status and behavior of those served by USDA's food assistance programs through integrated cross-program nutrition education. Nutrition education funded through the Food Stamp Program can be a powerful tool to promote healthy food choices among low-income families and individuals. This project will help realize this potential by collecting systematic information needed for effective policy oversight and planning. This information will include measures of the extent of integration of community efforts to promote healthy food choices and physical activity; the content, structure and funding of nutrition education and promotion activities; and consistency with FNS policy objectives. The project will also develop a model assessment tool that can be used to assess the quality of food stamp nutrition education in a community. Project results are anticipated to be available in 2005.

Feasibility of Monitoring Impact of Competitive Food Policy.—Although there has been an increased emphasis on nutritional improvement in school meals, the increased prevalence of childhood obesity underscores the need to consider further efforts to promote healthy eating throughout the school environment. Schools typically sell foods and beverages that compete with the Federally supported school meals, both in cafeterias and through vending machines, school stores and other venues. This feasibility study will explore data availability and reliability, and analytic methods to monitor the impact of changes in competitive food policies on the nutritional profile of foods available in the school environment. The final report is anticipated in 2003.

Integrated Study of School Meal Programs.—The school meals programs have changed considerably since the last national studies of student diets and meal costs were completed in the 1990's. As part of the Agency's periodic assessment of the nutritional effects of school meals, this integrated study would update information on five domains of great interest to policy makers: (1) characteristics of the school environment and school food service operations; (2) nutritional quality of meals offered and served in the school meal programs; (3) costs and revenues of providing school meals; (4) student participation, participant characteristics, satisfaction, and related attitudes toward the school lunch and breakfast program; and (5) student dietary intakes and the contribution of school meals to these dietary intakes. Fiscal year 2003 funds would be used to develop the sampling frame and recruit school districts to participate in this large national study. The final report is expected in 2006.

Food and Nutrition Information Center.—These funds will support the Food and Nutrition Information Center (FNIC) within the National Agriculture Library to systematically store and disseminate information on USDA's food assistance programs, nutrition education, and related nutrition topics.

Address Obesity

Overweight and Obesity Initiative Pilot Project.—As part of mission area's Breaking the Barriers initiative, the Center for Nutrition Policy and Promotion has launched a pilot project to help consumers aim for and maintain a healthy weight. The pilot will develop and test appropriate messages and delivery mechanisms targeted to 20 to 40 year old women, especially those with low income. These funds will support creative development and consumer research of material prototypes, a small-scale implementation in selected cities to evaluate effectiveness and measure consumer awareness, and development and testing of enhanced graphics and educational information for the Interactive Healthy Eating Index. The final report is expected in 2005.

Poverty, Food Assistance, and Obesity.—Recent observers, noting the prevalence of obesity among low-income recipients of food assistance, have speculated that there is a relationship between program participation and obesity. The research evidence on this question is sparse, scattered, and inconsistent. This project will assemble an expert panel of leading researchers to conduct a critical review, evaluation, and synthesis of the scientific literature and suggest avenues for additional work to determine how food assistance programs can best address overweight and obesity among participants. The final report is expected in 2004.

FNS & ERS STUDIES AND EVALUATIONS

Question. I understand that the fiscal year 2004 budget was formulated and sent to Congress prior to the passage of the fiscal year 2003 appropriations bill. In light of this, is it USDA's opinion that the studies and evaluations funding, which was transferred from the Economic Research Service to the Food and Nutrition Service in fiscal year 2003, should remain in FNS in fiscal year 2004 or should be transferred back to ERS?

Answer. Objective studies and evaluations are a critical need for effective program management of the Nation's nutrition assistance programs. To keep the budget request to a minimum required difficult decisions about funding levels for studies and evaluations, and which organization should have primary responsibility. Funding should be provided as requested, although it would seem appropriate to anticipate continuation of a certain level of flexibility, as plans solidify around program needs.

UPDATING THE DIETARY GUIDELINES FOR AMERICANS

Question. The President's budget requested an increase of $150,000 for development for the Year 2005 Dietary Guidelines for Americans, in conjunction with DHHS. Will there be additional increases requested for these efforts in the future? Please provide a breakout of the total cost, including funding provided by USDA and funding provided by DHHS.

Answer. Although USDA and HHS jointly manage the effort to develop and publish the Dietary Guidelines for Americans, each is responsible for funding different aspects of the process. The responsibility to charter and fund the operation of the Dietary Guidelines Advisory Committee rotates between the two departments—HHS bears that responsibility for the 2005 Committee. The HHS costs for Committee operations have been estimated to be $116,300. The $150,000 requested by CNPP for fiscal year 2004 is for development and testing the sixth edition of the consumer bulletin Nutrition and Your Health: Dietary Guidelines for Americans.

After release of the new Guidelines, development and dissemination of a variety of actionable materials for targeted consumer audiences will allow the messages to reach and influence consumer behaviors.

UPDATING THE FOOD GUIDE PYRAMID

Question. There has been an increased focus on decreasing obesity and improving eating habits in America recently, and much publicity has been given to a Harvard study published in the American Journal of Clinical Nutrition in December 2003 that suggests the USDA Food Guide Pyramid is outdated and actually contributes to obesity. The President's budget request includes a $670,000 increase to promote the "Reassessed and Updated Food Guide Pyramid". What is the status of updating the Food Guide Pyramid? Will there be an update on the nutritional recommendations included in the Food Guide Pyramid, or will this be a newer packaging and presentation of the same material? Has or will the December 2003 study be taken into consideration? When does USDA plan on having the update complete, and do you anticipate another requested budget increase?

Answer. The Food Guide Pyramid reassessment and updating process includes three phases. The first phase consists of gathering information through technical re-

search, stakeholder input, and consumer research. The second phase involves updating of the Pyramid food patterns and the third involves developing new or revised graphic and educational materials for consumers.

Phase two technical analysis is currently underway to revise Pyramid food patterns so that they meet current nutritional standards and reflect changes in food choices among Americans. Pyramid food patterns consist of the types and amounts of foods to eat and are specific to consumers' gender and life stage. Any changes in the food patterns will be examined in consultation with Department of Health and Human Service staff and potentially with other experts in the field. Proposed modifications will also be made available for stakeholder and public comment through the Federal Register before they are finalized.

New or revised consumer materials will be developed and tested in the third phase of the revision process. The major goal of this phase is to create a graphical representation and materials that communicate the Pyramid's advice in ways that consumers can understand and act on it. All proposed changes to the Pyramid's graphic presentation will be tested with consumers and available for stakeholder and public comment through the Federal Register before they are finalized.

As described above, there will be an update of the nutritional recommendations included in the Food Guide Pyramid as well as the packaging and presentation. The nutritional goals for the Pyramid are set according to current nutritional standards, including the Dietary Reference Intakes from the National Academy of Sciences, Institute of Medicine, and the Dietary Guidelines for Americans. The committees that establish these standards conduct extensive reviews and evaluations of all the current scientific literature. The determinations that they make are based on the preponderance of these research findings. Within the context of these standards, we are taking into consideration the findings from the Harvard study, along with the findings from numerous other studies

TIMING OF DIETARY GUIDELINES AND FOOD GUIDE PYRAMID

Question. Upon looking at the budget, it appears as though the updated Food Guide Pyramid will be completed and used in the development of the Year 2005 Dietary Guidelines for Americans. Please provide a timeline of how and when these two items will be developed and updated—how will the updated dietary guidelines be reflected in the Food Guide Pyramid if the Food Guide Pyramid is completed first, or will these two updates occur concurrently?

Answer. The development processes for the Food Guide Pyramid and the Dietary Guidelines for Americans are concurrent and coordinated. USDA plans to present Pyramid-related technical and consumer research to the Dietary Guidelines Advisory Committee. Coordination of these two activities allows for significant changes in the Guidelines to be reflected in the Pyramid. HHS and USDA expect to release the new Dietary Guidelines in January 2005. Release of an updated Food Guide Pyramid with a core set of actionable, consumer-friendly materials will follow shortly after that in early 2005. The projected timelines for development of the sixth edition of the Dietary Guidelines for Americans and the updated Food Guide Pyramid follow.

[The information follows:]

	Dietary Guidelines for Americans	Food Guide Pyramid
Fall 2002	USDA and DHHS Memorandum of Understanding provides the framework to jointly prepare and publish the 2005 Dietary Guidelines for Americans.	CNPP conducts technical research to develop proposed revisions to Food Guide Pyramid food patterns.
Spring 2003	The Dietary Guidelines Advisory Committee (DGAC) is chartered. Federal Register notice solicits public nominations for the DGAC.	
Summer 2003	USDA and DHHS appoint a Dietary Guidelines Advisory Committee (DGAC) composed of nationally recognized health and nutrition experts. Federal Register notice announces the DGAC members and their first meeting date. The notice also solicits written and oral comments from the public.	Proposed Food Guide Pyramid food patterns are published in the Federal Register for peer review and public comment.

	Dietary Guidelines for Americans	Food Guide Pyramid
Fall 2003	DGAC holds its first public meeting in Washington, DC.	Revised Food Guide Pyramid food patterns are finalized and cleared. Preliminary graphic presentation is conceptualized and designed.
Winter 2003-Summer 2004	DGAC holds its second, third and fourth public meetings, which include oral public testimony and presentations from invited experts on Dietary Guidelines related topics, including presentations by CNPP on the Food Guide Pyramid revision.	Preliminary graphic presentation is consumer tested. Proposed Food Guide Pyramid graphic presentation is published in the Federal Register for public comment.
Fall 2004	The DGAC report is issued to the USDA and HHS Secretaries. The departments develop and produce the bulletin, Nutrition and Your Health: Dietary Guidelines for Americans.	The Food Guide Pyramid is finalized.
January 2005	The sixth edition of Nutrition and Your Health: Dietary Guidelines for Americans is released.	Revised Food Guide Pyramid is cleared.
February 2005		Revised Food Guide Pyramid is released.

INTERACTIVE HEALTHY EATING INDEX

Question. An increase of $400,000 is requested to update the Interactive Healthy Eating Index. How long has this website been in existence, and approximately how many hits does it receive daily? Are further increases anticipated, as the update is scheduled for fiscal year 2004 and fiscal year 2005?

Answer. In April 1998, the Interactive Healthy Eating Index (IHEI) was added to the Web site of the Center for Nutrition Policy and Promotion. In fiscal year 2002, on an average day, consumers hold more than 2,500 sessions of the IHEI, spending about 25 to 35 minutes on average assessing their dietary status and receiving targeted nutrition education messages. (The average number of hits per day is around 200,000, but this is not as informative as the average number of sessions). Besides continual updates to the IHEI foods database, the Center will need to incorporate any revisions in targets for the new Dietary Guidelines and the Food Guide Pyramid. An interactive menu planning module will be an enhancement that will allow consumers to plan for healthful diets based on their food preferences and dietary guidance. The Center also intends to develop and promote IHEI-related applications—a single-user CD–ROM and a Personal Digital Assistant (PDA) IHEI application—that will provide greater access to the IHEI.

OBESITY PREVENTION AND NUTRITION PROMOTION

Question. Please provide additional information regarding what the $600,000 increase to expand an obesity prevention program, and the $2.5 million increase for nutrition education and promotion, will be spent on. Will all of this money be spent in fiscal year 2004?

Answer. The $600,000 increase to expand an obesity prevention program will be spent in fiscal year 2004 on consumer research and message development to refine and reshape consumer messages for additional audiences. In fiscal year 2003, the Center for Nutrition Policy and Promotion (CNPP) began development of a campaign to build awareness of USDA's anti-obesity message and promote behavior change. In this first phase, credible consumer messages were developed and pilot tested with 20 to 40 year old women, especially low-income women, to help motivate them to aim for a healthy weight. The fiscal year 2004 funds will be spent on research to test the applicability of these messages to men and women over 40, and to reshape the messages and modify the delivery channels as needed to better target these audiences. Widespread implementation of the consumer-tested campaign elements is planned for fiscal year 2005, using appropriate messages and delivery channels for each audience.

The $2.5 million increase for nutrition education and promotion will be spent in fiscal year 2004 on:

Enhanced Media Support for the Eat Smart.Play Hard.™ Campaign (40 percent). This includes expanding the Web site with interactive games and projects for children and information for teachers and caregivers, producing nutrition education ma-

terials for teachers, and producing messages and other products that can be shown on in-school educational networks and closed circuit channels in WIC clinics, community centers and Food Stamp offices.

Revising, reprinting and distributing existing Eat Smart.Play Hard.™ Materials (25 percent). This includes providing materials to WIC and the household-based commodity programs and translating and making materials more culturally appropriate (for Native Americans and Hispanics).

Establishing and evaluating cross-program nutrition education interventions (35 percent). This includes working with specific States to plan and implement targeted nutrition education interventions by providing materials, training and evaluation support to teams representing all the FNS programs. Subjects would include promoting the 5-A-Day messages, breastfeeding, implementing comprehensive Team Nutrition, and overweight and obesity issues especially in children.

PUBLIC LAW 480 TITLE II

Question. During fiscal year 2003, we appropriated more than $1.7 billion for international food assistance through the Public Law 480 Title II program. Those resources were in addition to other commodities released this year from the Bill Emerson Humanitarian Trust, and were vital to meet needs in places like Sub-Saharan Africa from which resources were being diverted to meet anticipated demand in connection with our military campaign in Iraq. However, the President's 2004 budget for Public Law 480 Title II is less than $1.2 billion.

Can you explain why the President has recommended a decrease by more than $500 million when the crisis in Africa remains at unprecedented levels?

Answer. Title II has been provided an unprecedented funding level for fiscal year 2003 in response to the scale and magnitude of emergency requirements around the globe, and for increased program costs due to higher U.S. commodity prices and fuel costs for shipping in the run up to the war with Iraq. Our assumption is that fiscal year 2003 is an unusual year, and fiscal year 2004 will see a return to a more traditional situation, including more typical commodity and fuel costs. Accordingly, the President's budget proposes to continue funding for Public Law 480 Title II in fiscal year 2004 at the same level requested for fiscal year 2003.

Question. Have the President's or your views changed since the United Nation's World Food Program informed the Administration just the other week that their appeal for assistance in Iraq for $1.3 billion will be $868 million below what they actually need?

Answer. Under the original appeal of $1.3 billion, the World Food Program planned on distribution of full rations for 3 months, assuming the public distribution system (PDS) would be fully functioning in July. As time has progressed, we have come to realize that the PDS system will take longer than expected to become fully functional and will require the support of WFP for a longer period of time. The WFP now plans to expand its Emergency Operations, which are still under revision, to include full rations until the end of October at an estimated total value of $1.85 billion.

Question. What assumptions were used for commodity prices in the fiscal year 2004 budget request for Public Law 480 Title II? How do they compare to more recent estimates of commodity prices for fiscal year 2004?

Answer. The commodity price projections used in the fiscal year 2004 budget request were based on the USDA baseline estimates of November 2002. The baseline incorporates provisions of the Farm Security and Rural Investment Act of 2002 and assumes that current farm legislation remains in effect through the projections period. Projected prices for corn, wheat, and soybeans reflect, in part, movements in stocks-to-use ratios. The baseline assumes that prices decline over the next several years as production recovers from the reduced levels of the 2002 crops. Prices for corn, wheat, and soybeans rise during the later years of the baseline period as growth in demand outpaces gains in production.

When the November forecasts were made, there was only limited information about Northern Hemisphere winter wheat plantings for 2003/2004 and, of course, no information about Southern Hemisphere crops for the next year. By the May revision, however, Northern Hemisphere winter and spring crop conditions and plantings were better known. In addition, by this time in the crop year, there are at least some indications of Southern Hemisphere winter grain plantings.

For wheat, the November 2002 baseline price for Marketing Year 2003/2004 was $3.25 per bushel and this was revised to $3.35 (midpoint of range) in the May 12, 2003, World Agricultural Supply and Demand Estimates (WASDE). For rice, the November 2002 baseline price for Marketing Year 2003/2004 was $3.77 per hundredweight and this was revised to $5.25 (midpoint of range) in the May 12 WASDE.

For corn, the November 2002 baseline price for Marketing Year 2003/2004 was $2.20 per bushel and this was revised to $2.10 (midpoint of range) in the May 12 WASDE. For soybeans, the November 2002 baseline price for Marketing Year 2003/2004 was $189 per metric ton and this was revised to $182 (midpoint of range) in the May 12 WASDE. For soybean oil, the November 2002 baseline price for Marketing Year 2003/2004 was $525 per metric ton and this was revised to $430 (midpoint of range) in the May 12 WASDE.

Question. What estimates were used for emergency needs (commodity and dollar levels for each country) in the 2004 request for Title II? Are these levels still relevant? Will funding be needed for food aid for Iraq?

Answer. As outlined in USAID's Congressional Budget Justification, the estimated emergency allocation in the aggregate for fiscal year 2004 for Title II is approximately $522 million, not including the unallocated reserve of $241 million. It is expected that over 1 million metric tons of commodities for emergency food needs can be procured with this funding level. Allocation decisions between emergency and non-emergency programs must take into account many factors, including congressional mandates related to Title II as well as global food aid needs. No decisions regarding specific dollar and tonnage allocations by country for fiscal year 2004 have been made at this time. As we draw nearer to the fiscal year, funds will be allocated to countries or regions based upon the latest information on hand. This is true for all countries, including Iraq, where the projected funding allocation for fiscal year 2004 is largely dependent on what food commodities are sourced through the Oil for Food program contracts. The U.S. Government will provide funding to fill shortfalls as needed.

Question. Does the 2004 request for Title II assume that you will comply with the requirement in the 2002 Farm Bill that 1.875 MMT be made available for non-emergency purposes, and what steps have been taken to seek proposals for fiscal year 2004 developmental programs in order to reach the 1.875 MMT level?

Answer. The fiscal year 2004 budget request assumes that the Title II program will comply with the minimum tonnage level established for non-emergency programs. We understand the Office of Food for Peace at USAID continues to work with the U.S. PVO community to increase the number of effective development activities, as well as to program commodities for other non-emergency activities.

Question. Is OMB or USAID placing arbitrary limits on the use of monetization for Title II programs, rather than allowing PVOs to identify and justify in their proposals the appropriate levels to meet program objectives in particular countries?

Answer. No arbitrary limits have been placed by OMB or USAID on the use of monetization of Title II commodities. However, as part of the President's Management Agenda and related review of Title II programs, a decision has been made jointly by OMB and USAID to reduce the level of monetization over the next several years. A Monetization Rationalization Plan has been developed by USAID to guide this process. The plan is now under discussion with private voluntary organizations.

Question. How has the Administration met the requirement in the fiscal year 2003 Supplemental Appropriations Act that to the greatest extent possible USAID shall restore funding for the Title II non-emergency programs that were cut? What tonnage level do you estimate will be provided for non-emergency Title II programs in fiscal year 2003?

Answer. Except for India, funding has been restored to the maximum extent possible to all non-emergency programs that were cut to meet the food emergencies in Africa. In the case of India, the Government's position on commodities potentially containing genetically modified organisms prohibit us from shipping commodities to that country at this time. USAID anticipates that $106 million will be restored to the PVO development portfolio in fiscal year 2003, bringing the funding level to $416 million for PVO development activities.

Including PVO development activities and other Title II non-emergency activities, it is estimated that approximately 1.3–1.9 million metric tons grain equivalent of food will be programmed under Title II non-emergency programs in fiscal year 2003.

Question. What level (tonnage and dollar amounts) of food assistance is being provided for the following emergencies: a) Southern Africa, b) Ethiopia, and c) Eritrea and from what funding sources? What were the estimated food needs (tonnage and dollar amounts) in each of these cases in fiscal year 2003?

Answer. The information is submitted for the record.

[The information follows:]

Southern Africa.—The U.S. Government has provided 566,000 metric tons of food aid to Southern Africa over the past year, using both fiscal year 2002 and fiscal year 2003 funding availabilities. The estimated value of those contributions is $320 million. In addition, USAID will be shipping an additional estimated 150,000 metric

tons of commodities in fiscal year 2003. Funding has come from three sources: Public Law 480 Title II, Section 416(b) programming, and the Bill Emerson Humanitarian Trust.

The estimated humanitarian cereal needs for the six affected countries in southern Africa between July 1, 2002, and March 31, 2003, was 1.2 million metric tons. With the addition of the other required components of the food basket, such as beans and oil, the total reached approximately 1.5 million metric tons. On average, the provision of this amount of food aid would cost $825 million.

Ethiopia.—In fiscal year 2003, 737,020 metric tons valued at $340 million have been provided from both the Bill Emerson Humanitarian Trust ($77 million) and Public Law 480 Title II ($263 million). The estimated food needs for Ethiopia are 1.52 million metric tons for 12.6 million beneficiaries. Based on U.S. pricing factors, this quantity on average would cost $836 million.

Eritrea.—In fiscal year 2003, 118,900 metric tons valued at $52 million have been provided from Public Law 480 Title II. The estimated food needs for Eritrea are 290,000 metric tons for 1.4 million beneficiaries. Based on U.S. pricing factors, this quantity on average would cost $160 million.

Question. The Administration did not request food aid funding for Iraq, other than restoring $200 million to foreign aid accounts for funds that were provided to the U.N. World Food Program for the purchase of food aid from other countries. What level (tonnage and dollar amount) of food aid will be provided to Iraq from the United States, not foreign purchases, in fiscal year 2003 and from what funding sources?

Answer. USAID will provide a total of 164,000 metric tons of Title II valued at $150 million and 81,500 metric tons from the Bill Emerson Humanitarian Trust valued at $46 million. The total planned U.S. contribution is 245,500 metric tons valued at $196 million. This does not include the $200 million in cash provided to WFP.

Question. What is the estimated need for Iraq food assistance for the remainder of the fiscal year? If this is not being supplied directly through U.S. food aid programs, then how is it being supplied? Do you agree with the World Food Program estimates in regard to Iraq, and if not, please explain.

Answer. Fortunately, the WFP has been able to re-negotiate over 1.2 million metric tons of food contracts. According to the latest reports from WFP, 1.2 million metric tons of Oil for Food contracts coupled with additional donor contributions, including those from the U.S. Government, mean that the food pipeline is fully sourced.

The total needs for the Iraqi population are being met in part through U.S. food contributions, other donor contributions, and a $200 million cash contribution provided by the U.S. The cash allowed WFP to procure 330,000 metric tons of commodities in the Gulf region. This was done to provide commodities urgently needed in Iraq in May, when U.S. food aid could not have arrived in time.

We agree with WFP estimates in regard to Iraq. The total food needs per month under the Public Distribution System are a little under 500,000 metric tons. This level multiplied by 5 months is about 2.4 million metric tons.

BILL EMERSON HUMANITARIAN TRUST

Question. The fiscal year 2003 supplemental provides $69 million for the purchase of commodities to replenish the Emerson Trust. Language is also included that prohibits the monetization of any additional release of Emerson Trust commodities during the remainder of this fiscal year.

Do you support having the authority to hold cash for replenishment of the Emerson Trust rather than being required to actually purchase commodities to be held in storage for future use?

Answer. Yes, we support maximum flexibility in administering the Bill Emerson Humanitarian Trust.

Question. What effect on U.S. commodity markets has the monetization of Emerson Trust commodities had during the past 2 years?

Answer. About 19 million bushels of wheat were monetized during the 2002/2003 marketing year. A review of wheat prices shows that wheat markets began an upswing in June and peaked in early September. Markets began a downward swing about mid-September and leveled off around mid-October. There was slight market increase in late October through early November. Markets then began a downward trend in mid-November that continued through the end of the marketing year.

Although wheat prices varied, there is no evidence to link the sale of wheat by CCC as the reason for any price decline. Price decreases point more directly to declines in the U.S. market share of world wheat trade, which resulted from lower priced wheat being offered by other countries, including a number of non-traditional

exporters. U.S. wheat exports during 2002/2003 were at the lowest level in many years.

It is also important to note that during the June to December 2002 period, CCC purchased more wheat in the marketplace—approximately 59 million bushels—than it sold—approximately 26.7 million bushels. When all these factors are taken into account, the sale of wheat from the Emerson Trust appears to have had a negligible impact on the domestic U.S. wheat market.

Question. How is the $69 million appropriated in the fiscal year 2003 Supplemental Appropriations Bill being used?

Answer. At the moment, the $69 million is being held by the Commodity Credit Corporation. No final decision has been made on how the $69 million will be used, but clearly its use will depend on future needs.

Question. Why did USDA decide not to seek funds to replenish commodities for the Trust?

Answer. Funds were not sought by the Administration to replenish the Trust at this time due to other more pressing budget needs.

Question. Have Public Law 480 funds been used at any time to repay the Trust for commodities withdrawn for urgent needs under section 302(c)(1) of the Bill Emerson Humanitarian Trust Act? If so, have any of these funds been retained for the purchase of commodities to replenish the Trust, as permitted under section 302(b)(2)(B)?

Answer. CCC has been reimbursed three times for wheat released from the reserve in response to urgent humanitarian needs and programmed through Public Law 480 Title II. The reimbursements were based on the export market price of the wheat in accord with section 302(f)(2) of the authorizing statute. CCC was reimbursed $45 million in fiscal year 1987, $6.9 million in fiscal year 1991, and $28 million in fiscal year 1995. These funds were not used for the purchase of commodities to replenish the Trust. The reason for that is because the authority provided in section 302(b)(2)(B) was not added to the statute until enactment of the Bill Emerson Humanitarian Trust Act of 1998, which was after all three reimbursements had occurred.

MILK PROTEIN CONCENTRATE

Question. Although USDA has no direct jurisdiction of the regulation of MPCs, the importation of these products has raised substantial concerns among dairy farmers.

Will USDA work with the USTR to ensure that any future agricultural trade negotiations will include the issue of MPC imports as a priority?

Answer. In trade negotiations we pay close attention to the needs of import-sensitive U.S. producers. Throughout the negotiations, USTR and USDA work together closely to assess a particular product's import sensitivity, based on advice from the ITC on probable economic effects. USTR and USDA also consult closely with private sector advisors and Congress throughout the negotiations. Negotiators use a variety of tools to protect U.S. import-sensitive sectors, including extended periods for tariff reductions and import safeguards.

Question. In the meantime, does USDA have any recommendations on how the harm to domestic dairy markets from MPC imports can be overcome?

Answer. MPC impacts on dairy markets would be to lower nonfat dry milk (NDM) prices. However, during MPC import growth domestic NDM prices have typically been near support and CCC has purchased significant quantities of NDM. The impact of MPC imports has been to support new product formulations and to some extent increase CCC NDM purchases. Direct impacts on farm prices are believed to be very small because of the milk price support program (MPSP).

A subsidy program to encourage the production of MPC domestically is being considered. Diversion of milk protein to domestic MPC production and away from NDM production might decrease CCC purchases and save total government expenditures.

A tariff rate quota would probably lead to a WTO challenge and possible demands from the EU for compensation of up to $600 million.

INTERNATIONAL DEVELOPMENT POLICY

Question. There is evidence of growing sentiments around the world critical of the United States intentions and practices, on a global scale.

Do you agree or disagree that international developmental programs, such as those associated with Public Law 480 non-emergency programs, have great potential to overcome growing world hostilities toward American interests, help prevent the growth of terrorist organizations in those parts of the world, and provide significant long-term benefits for those countries and the United States?

Answer. We agree that Public Law 480 non-emergency programs, such as Public Law 480 Title I and Public Law 480 Title II development and food for work programs, have a significant role in supporting the economic development of low-income countries and in this way are beneficial in reducing the potential for terrorist activity. For the United States, reducing the number of chronically poor, undernourished and underweight people throughout the world is both a humanitarian concern and a strategic goal. Food aid resources are given to help those in need in an effort to deal with hunger and to eliminate the food insecurity that fuels political instability and the potential for terrorism. Global Food for Education programs and food for work activities also contribute to the prevention of conditions that foster terrorism and create new generations of better educated citizens. However, it is important to note that there is a mosaic of issues that stimulates terrorists that is much broader than food and economic development alone.

Question. If you agree, what will you do to help promote these programs and seek greater levels of resources?

Answer. Our first step in promoting the non-emergency programs will be to continue to work with the recipients of our programs to develop effective programs that are supported by the recipient governments. We also will continue to ensure that program oversight is effective so that program objectives are met. These measures will go a long way toward effective and efficient use of program resources.

Question. Should these types of programs take on a greater role in the context of national security in view of current world conditions?

Answer. The United States Government carries out a wide range of programs designed to assist in the growth and development of developing countries. These programs range from security, economic development, humanitarian food assistance, and health and safety programs. Maintaining a balance in the level of support for these programs is important, and that's what the Administration is attempting to do.

Question. One of the areas of U.S. involvement in reconstruction efforts in Iraq is agriculture. Please describe U.S. activities in this effort, including the amount of funds and number of personnel assigned to this task.

Answer. USDA has had one person on the ground in Baghdad since April 24th. He has been totally involved in getting the Ministry of Agriculture up and running and in selecting a management team which will begin to make decisions on the priorities of the agriculture sector. Once this team is in full play, USDA will be sending Daniel Amstutz, Senior Advisor for Agriculture, to Baghdad. He will be responsible for policy development in agriculture and as agriculture relates to the other sectors of the Iraqi economy.

USAID has begun the lengthy process of obtaining a project agreement for the reconstruction of agriculture in Iraq. The proposed project will contain four components: (1) increased agriculture production, (2) enterprise development, (3) access to rural credit, and (4) resource management—water, irrigation, etc. The timetable for this project will include full and open competition (45 days), a bidders' conference, a period in which to receive proposals, evaluation, selection, negotiations, and awards. Funding for this project is to come from the funds already designated for Iraq reconstruction.

Question. There has been significant criticism of U.S. farm policies (and those of other countries) that certain program characteristics, such as commodity price support programs, are very harmful to the developing economies of many poor nations. How does USDA respond to these criticisms?

Answer. All domestic support programs are not alike. The United States has tabled an ambitious proposal to the WTO agriculture negotiations designed to substantially reduce trade-distorting domestic support and open world agricultural markets to fair competition. Governments can and will continue to support their agricultural producers; however, our focus remains on trade-distorting domestic support.

The Uruguay Round only started the job of tackling trade-distorting domestic subsidies. As a result, the EU's current limit for amber box support is around $67 billion annually, Japan's limit is around $33 billion, and the U.S. limit is $19.1 billion. In addition, the EU and Japan use blue box subsidies (trade-distorting support linked to production limiting policies). All other countries have much lower levels of amber and blue subsidies, if any.

The U.S. agriculture proposal in the Doha negotiations seeks to build on the first step of the Uruguay Round by pressing for much more substantial reductions to achieve a more level playing field for all countries, including developing ones. In particular, the U.S. proposal calls for a cut of over $100 billion in trade-distorting support globally, undertaken in a manner that harmonizes levels across countries, with the eventual goal of eliminating such subsidies altogether. The United States proposes maintaining current rules on non-trade distorting support (green box)—

spending in areas such as conservation, research, food stamps, and the environment—as long as such spending is de-linked from production incentives.

BIOTECH TRADE

Question. An Iowa State University study concluded that the U.S. wheat industry could lose 30–50 percent of its business with foreign markets for spring wheat if Monsanto releases a new genetically modified variety of that commodity.

Do you agree with this assessment?

Answer. Dr. Robert Wisner of the Iowa State University concluded in a recent study that U.S. exports of hard red spring (HRS) wheat could fall by 33–52 percent if Monsanto's herbicide-tolerant, genetically modified (GM) wheat were introduced in the United States. We believe that this finding can only be regarded as a worst-case scenario. Dr. Wisner makes a strong assumption about the ready availability of non-GM wheat in competing countries. Further, his analysis does not consider the probable diversion of U.S. exports to markets that will accept GM wheat.

A preliminary ERS study suggests there is considerable scope for diversion of GM wheat away from sensitive export markets. In the U.S. domestic market, we estimate that the non-GM segment accounts for only 5–10 percent of demand. Thus, our large domestic market would provide an important outlet for GM wheat production, even if most export customers refused to accept it. Of course, the feasibility of diversion (without loss of export sales) also depends on extent of adoption by spring wheat growers. The ERS analysis, assuming 50 percent adoption of the GM variety, shows relatively modest impacts on average farm-level prices. However, buyers of non-GM spring wheat (primarily foreign) would incur additional costs.

Question. Do you think that the growing trend toward genetically modified agricultural products can continue without a further erosion of our foreign markets? If so, how?

Answer. Up to now, trade impacts from the rapid adoption of biotech crops since 1996 have been limited. Demand for non-biotech corn and soybeans has reflected biotech food labeling regulations in some parts of the world, such as the EU and Japan, and changing consumer preferences toward non-biotech foods. Over the last few years, the EU's de facto moratorium on approving new biotech varieties did adversely impact the United States. However, a concerted effort is being made by the government, the U.S. grain industry, and biotech companies to address issues that led to these incidents, paving the way for the further adoption of biotech crops.

Question. What plans does USDA have to counter the threats by foreign nations in regard to genetically modified products?

Answer. The Administration announced on May 13, 2003, that the United States, Argentina, and Canada are requesting World Trade Organization (WTO) consultations with the EU over its moratorium on approving new biotech varieties. The complaint intends to ensure that crops grown by U.S. farmers will not be rejected simply because they were produced using biotechnology.

In the United States, we have managed to keep biotech discussions within the realm of science; and, indeed, scientific assessments are the cornerstones of our regulatory system. USDA/APHIS, FDA, and EPA have managed to maintain consumers' faith in their abilities to discern which products are safe to consume, and which products are unsafe.

We continue to believe that keeping the discussions on scientific ground offers the most promise to counter threats to biotech products, but we need to reinforce those efforts. For this reason, the 2004 budget requests $6.6 million to establish a new fund within the Office of the Secretary to support cross-cutting trade-related and biotechnology issues. These funds will be available to support the work of FAS, APHIS, and other USDA agencies as they address the growing array of regulatory and market access issues related to biotechnology.

QUESTIONS SUBMITTED BY SENATOR TOM HARKIN

CONSERVATION TECHNICAL ASSISTANCE

Question. The most recent allocations for conservation programs were for far less than was generally expected after passage of the farm bill because of the Administration's decision to prohibit technical assistance to be paid from each program's funds as provided in the farm bill. I believe we need to find a solution that does not continue to require a net reduction in overall conservation funding, because that is the effect under both the omnibus appropriations bill and the Administration's budget.

Will you work with the Committee to find a way to fix the technical assistance funding problem that does not involve cutting funding for conservation from expected farm bill levels?

Answer. We share your concern about providing adequate funding for the technical assistance necessary to support the conservation programs of the 2002 Farm Bill. We believe that the President's budget proposal for a dedicated technical assistance account for Farm Bill implementation would be the best approach to fixing this problem. This approach maximizes the amount of financial assistance dollars while providing the technical assistance funding needed to deliver the programs. Having one central account also increases accountability and improves transparency of the Department's costs of delivering these conservation programs.

At the same time, both NRCS and the Farm Service Agency have been making concerted efforts to improve and streamline their operations in the field which has helped to significantly reduce NRCS technical assistance costs for the Environmental Quality Incentives Program. Recently proposed rule changes for the Conservation Reserve Program will help streamline and improve the sign-up process and will lead to additional savings. This summer, we will also be conducting a thorough sweep of all Farm Bill conservation program accounts and will convert any unused technical assistance funding back into program dollars.

Finally, NRCS will be fully implementing the new Technical Assistance Provider (TAP) system authorized in the Farm Bill. This will ensure that there is a viable cadre of technically qualified non-Federal partners that are certified by NRCS to provide the technical assistance needed to plan and oversee the installation of conservation practices.

While we believe that these steps will greatly help achieve the conservation envisioned by the Farm Bill, we also look forward to working with the Committee to look for ways to better address this issue and to make further improvements.

NATIONAL ORGANIC STANDARDS BOARD

Question. I am concerned about ongoing threats to the integrity of the Organic Foods Protection Act of 1990 (OFPA). OFPA requires a very strong public-private partnership in setting, enforcing and maintaining strong standards for organically certified foods. Specifically, OFPA established the National Organic Standards Board (NOSB) as a body of private-sector experts to help USDA set and oversee the implementation of the national organic standards, and required the establishment of a peer review panel to ensure public oversight of USDA's accreditation program. As envisioned by OFPA, the NOSB's recommendations would have significant weight and authority. Yet, in recent years, many of its recommendations have been ignored or simply not implemented by USDA. In addition, the peer review panel has yet to be established, even though organic certifiers have been accredited.

Please detail your plan for giving proper weight to recommendations of the NOSB and for constituting and supporting the required peer review panel.

Answer. AMS is in the process of establishing a peer review panel, with the American National Standards Institute (ANSI), a well recognized accrediting body that represents the United States in international standards setting organizations. A technical expert from the organic community will assist ANSI in their review of AMS' accreditation program under the National Organic Program (NOP). This technical expert will be selected from nominations made by the organic industry. AMS also is developing "Good Guidance Practices," a document that outlines in detail how the agency will process and handle recommendations from the NOSB. In addition, AMS has provided the NOSB with clear guidance on how to present their recommendations to the agency in a manner that will expedite action on those recommendations.

Question. In addition, would you please provide for the record a list of the recommendations that the NOSB has made, since the publication of the final rule on organic standards, and the actions that USDA has taken in response to those recommendations. If no action has been taken in response, please explain why.

Answer. Since the final rule was published in December, 2000, the NOSB has held six public meetings; all of their recommendations are posted on the NOP web site for viewing by the public. All recommendations concerning materials to be added or prohibited on the National List have been accepted by AMS and are being published in the Federal Register for notice and comment. All other recommendations made by the NOSB will be reprocessed through the guidance material that the agency has given to the NOSB, so that all Board recommendations are treated equally and to ensure that those recommendations that are feasible will withstand scrutiny from a legal and regulatory review.

REIMBURSEMENT RATE FOR CROP INSURANCE COMPANIES

Question. The crop insurance industry is in shaky financial shape in the wake of the drought and other disasters that affected the 2002/2003 crops, as illustrated by the failure of American Acceptance, the largest company at the time. The President's budget proposes to cap the amount of delivery expense reimbursement the crop insurance companies may receive at 20 percent of the premium. Such a cut from the current 24.5 percent would cut companies' revenue for delivery expenses by 20 percent.

What analysis has been done to assess the effect such a reduction would have on the financial condition of remaining companies, particularly in high-loss years such as 2002? What are the results of this analysis?

Answer. The 24.5 percent reimbursement rate is the statutory maximum rate. However, several crop insurance products currently have a maximum statutory reimbursement rate less than that. In fact, for the 2002 crop year the average reimbursement rate across all product lines was about 21 percent. We are projecting a reduction in reimbursements of about 10 percent. To put this in perspective, reimbursements have risen about 53 percent in the past 5 years with no increase in the number of policies sold.

RMA conducts an annual analysis of each company's plan of operation for the upcoming crop year, in addition, the Agency has recently instituted a comprehensive review of each company's financial condition. As part of this review, the Agency is evaluating financial data that has never been previously requested by RMA. While the results are preliminary, it is evident that the analysis will significantly improve the Agency's ability to identify companies who are in a particularly vulnerable financial position.

A reduction in the reimbursement rate will increase the financial pressure on companies to adjust their operating approach. Each company will strive for increased efficiencies without sacrificing service. This of course is a healthy exercise. However, if the company is not successful in driving down cost and generating sufficient returns to satisfy shareholders, consolidation or departures will be the result.

PACKERS AND STOCKYARDS

Question. In a letter to me from Under Secretary Hawks dated February 24, 2003, the Administration stated its opposition to the proposed ban on mandatory arbitration in livestock and poultry contracts, its opposition to efforts to reorganize USDA to improve enforcement of the Packers and Stockyards Act, and other competition and trade practice statutes. The letter argued that USDA already has the authority and enforcement regime to deal with matters like unfair contract terms. Yet a number of private suits, as well as numerous press accounts and studies, have highlighted the real problems that exist in USDA's enforcement of the Packers and Stockyards Act.

Your testimony indicates that the USDA budget seeks an additional $500,000 to "enhance compliance with the Packers and Stockyards Act and to fund a review of the Act" (page 13). We have increased Grain Inspection Packers and Stockyards Administration (GIPSA) funding for years, with absolutely no improved results, and some would argue even more lax enforcement. Without substantial changes in the law and in USDA's enforcement organization, why should we think that simply increasing funding will address GIPSA's serious enforcement shortcomings?

Answer. Industry has become more complex, vertically integrated, and is making increasing use of technology, which complicates enforcement activities. The P&S Act has not undergone any significant review in many years. A review of the P&S Act and regulations is warranted to determine the best way for GIPSA to remain effective in the 21st century. The request for an additional $500,000 to "enhance compliance with the Packers and Stockyards Act and to fund a review of the Act" would provide 6 additional staff years, expenses, and consultations necessary for a comprehensive review of the P&S Act.

FSIS MEAT RECALLS

Question. USDA has been criticized during recalls for its policy of telling State public health officials where recalled meat was distributed in their States only if those States promise not to tell their citizens where recalled product is being sold. It seems to me that the purpose of a recall is to get tainted product out of consumers' homes.

Can you explain the reasoning behind USDA's policy of essentially withholding from consumers information about where recalled product was sold? Is there any

barrier, legal or otherwise, to the Department's release of this information to any State public-health department that may need it to respond to a recall?

Answer. The goal of a recall is to protect public health by removing potentially contaminated product as quickly as possible. In a recall situation, FSIS needs to be able to act quickly to ensure public health by protecting consumers from potentially contaminated product. The cooperative arrangement with establishments ensures that FSIS can move as quickly as needed to remove potentially contaminated product from the marketplace. It also allows industry to move as rapidly as possible. The current cooperative arrangement allows FSIS to act quickly to protect public health and is preferable to a slow, cumbersome legal process.

There are no barriers to the Department's release of distribution information to the States.

FOOD AID PROGRAMS

Question. Has USDA considered adding Iraq to the list of countries receiving donations under the McGovern-Dole International Food for Education and Child Nutrition program?

Answer. USDA will consider all proposals during the application period, which we expect to begin in June. Proposals for Iraq would be considered, although Iraq will soon return to the status of middle-income country. Due to the limited budget for the McGovern-Dole International Food for Education and Child Nutrition program, most programming resources are expected to go to low-income countries. A major consideration in programming will be the cooperating sponsors' ability to carry out effective programs immediately. It is not clear if this criterion could be met for Iraq because the economic and political systems are in transition.

Question. If not, do you think it would help facilitate Iraqi reconstruction if we encourage such school nutrition programs there?

Answer. The education system in Iraq is already restarting and rebuilding. Over the next few months, what is needed to restore and improve the education system will be assessed by the new Iraqi government as well as the international donor community. Use of programs like McGovern-Dole should not be ruled out but, as Iraq emerges as a middle-income country, it would not be a primary target for U.S. Government food aid programs.

VALUE-ADDED GRANTS

Question. The Farm Bill provided $40 million a year in mandatory funding for Value-Added Product Market Development grants. These grants have been a critical element in assisting rural value-added business development. Without the help of these value-added grants, many projects such as farmer owned ethanol plants and meat processing plants simply would not materialize. The Administration's budget proposes changing this program to discretionary funding and reducing the funding to $2 million a year—only 5 percent of its fiscal year 2003 level—thus essentially eliminating this program.

What is the Administration's commitment to producer owned business and cooperative development in light of this budget proposal?

Answer. USDA spends approximately $10 million a year on the Cooperative Service programs. Rural Development has over 75 years of experience in working with producer owned cooperative businesses. This includes assisting producers in organizing cooperatives; providing technical assistance, such as strategic planning, to existing cooperatives; conducting research on problems and issues facing cooperatives; and providing education services to cooperative boards, management, and members. The Administration is committed to the continuation of helping producers, their farm and ranch businesses, and their cooperatives.

RURAL BUSINESS INVESTMENT PROGRAM

Question. I am disappointed that the Department has moved slowly on implementing the Rural Business Investment Program, which was authorized and provided mandatory funding in the Farm Bill. As you know, venture capital is a crucial need in rural America. This program, carefully worked out in a bipartisan manner, should really help.

It has very broad support, including from the major farm groups, cooperative groups, bankers of all sizes, and many of the entities of the Farm Credit System.

I had hoped by now to see this program in full operation, creating jobs.

Exactly what is the status of the Department's actions to get the Rural Business Investment Program up and running?

Answer. Since the Farm Bill was signed, USDA has worked jointly and diligently with the Small Business Administration (SBA) to develop an RBIP implementation

and management plan that is based on the Program model, as envisioned and expressed by Congress in the statute. USDA and SBA have identified some impediments to the development of the implementation plan, such as how administrative responsibilities for the program would be shared between USDA and SBA within the context of the statute. We are continuing to work with SBA to reach agreement on such issues.

Question. When will the Department have this program in operation?

Answer. The timeline will be developed once an agreement with SBA is reached and specific roles and responsibilities are developed.

Question. Is there anything that we can be doing to help expedite the Department's implementation of the Rural Business Investment Program?

Answer. At this time, we know of nothing that the Committee needs to do to implement this program.

RURAL UTILITIES

Question. The farm bill provided $360 million to assist in funding some of the backlog of water and wastewater programs at the Rural Utilities Service. Your budget proposes increasing the loan program, but reduces the grants by almost 50 percent, or $250 million. Small communities will once again be placed on a long waiting list because grant funds will not be available. It is not the purpose of this program primarily to fund only communities that qualify for loan programs, but also to ensure that the poorest and smallest of communities needing clean drinking water or a wastewater system will not be left behind.

What is the national backlog in applications needing grant assistance? What is your plan for addressing the needs of small communities with very limited incomes, which need safe, reliable drinking water if this proposed shift in the program is implemented?

Answer. There are currently 443 incomplete applications and 662 complete applications on hand for water and waste grants for a total of 1,105. The total amount requested by these applications is $433,762,484 for incomplete applications and $763,852,491 for complete applications for a total of $1,197,614,975.

With the additional funding from the Farm Bill, we were able to fund a significant number of applicants that needed grant funds to develop a feasible project. The applications remaining in the backlog indicate an increasing demand for loan funds. The current very low interest rate environment reduces the need for higher grant amounts, which will allow us to adequately meet the need for assistance. A project's financial feasibility is determined based on its ability to repay a loan and at the same time maintain reasonable user rates. A proposed system's budget is based on income projections solely from sales of services the system is providing. Since the Rural Utilities Service has the authority to switch funds between loan and grant, the levels established at the beginning of the year can be adjusted as needed based on projects funded during the year.

CREDIT

Question. On the matter of farm credit, your written testimony (page 10) indicates that the amount of direct loans that FSA will make available to farmers will decrease because the subsidy costs have somehow increased. Yet in other parts of your testimony, you note that the subsidy rate for other loan programs has actually fallen because of decreased interest rates.

Please explain why the subsidy rate for FSA direct loans has increased in this time of lower interest rates and relatively low default rates.

Answer. The cost of subsidizing direct loans has increased due largely to projections of increased loan defaults. As the modeling of the projected costs of subsidizing loans is refined, default projections have increased. Defaults are a major component of the subsidy rate that determines the amount of budget authority that is required to support the requested loan levels. Direct loans are more expensive to operate than guaranteed loans due to the fact that borrowers of direct loans are generally not able to obtain credit from commercial lenders due to their credit risk.

AGRICULTURAL BIOTECHNOLOGY

Question. As a supporter of agricultural biotechnology, I believe products derived from this new technology hold tremendous promise for consumers and our Nation's agricultural industries. For that very reason, any shortcomings in our regulatory regime must be addressed to ensure that the development of agricultural biotechnology continues in a thoughtful and secure manner that provides our Nation's consumers and our trading partners with assurance that these products are safe. The National Research Council has released two important reports on agricultural

biotechnology over the last few years. In last year's farm bill, Congress required your Department to issue a report to the House and Senate Agriculture Committees by next week outlining how USDA plans to implement the recommendations made by the Council.

Please provide an update on the status of this report.

Answer. While we have drafted a response to most of the recommendations from the National Academies of Science, National Research Council, there are a number of issues that we are currently working on with our partners at FDA and EPA that will affect many of our responses. As a result, our report missed the deadline of May 12. We feel it is important to work through the issues with our partners so that we can offer a more concrete overall Answer. Our report, when complete, will give a better sense of the direction we are taking in USDA and across government to address the recommendations in the reports.

FSIS—INSPECTIONS

Question. In May 2000, a Federal judge in Texas ruled that the Food Safety and Inspection Service (FSIS) could not use Salmonella test results to determine the sanitary conditions in a beef grinding plant. More recently a Federal court in Nebraska prevented FSIS from closing a meat plant repeatedly found to have sanitation violations. Rather than pursuing the Nebraska case, FSIS signed a consent agreement with the company which ceded the agency's authority.

In light of these court decisions, can you specify USDA's exact legal authority to close meat plants that repeatedly fail to comply with USDA's food-safety standards?

Answer. The Federal Meat Inspection Act and the Poultry Products Inspection Act provide the authority needed to close plants that fail to comply with regulatory requirements. USDA has the authority to initiate a withholding, suspension, or withdrawal action based on sanitation or HACCP violations, including: failure to collect and analyze samples for the presence of generic E. coli; failure to develop or implement sanitation standard operating procedures (SSOP); or failure to develop or implement a required HACCP plan. USDA may also initiate a withholding, suspension, or withdrawal action for other violations, such as inhumane slaughter or unsanitary conditions.

Question. Your statements last month seemed to indicate that you thought USDA could benefit from enhanced enforcement powers. What is USDA's opinion concerning the need for additional authorities, or clarifications of existing authorities?

Answer. We are always assessing our authorities to determine if they need to be strengthened. I have asked for a complete review of our authorities to determine if they allow us to do our job and am awaiting assessments on what options USDA should consider pursuing in the future.

RENEWABLE ENERGY AND ENERGY EFFICIENCY

Question. Please provide for the record the explanation you promised regarding proposed funding for the energy and energy efficiency program (section 9006) and the CCC Bioenergy program. As clarified in the hearing, these programs already have mandatory funding for fiscal year 2004 as provided in the farm bill. The Administration's budget proposes to change the 9006 program to a discretionary program and reduce funding from $23 million to $3 million in fiscal year 2004. The proposed cut of $50 million to the bioenergy program is similarly troubling since this program has been a key Federal program to help increase ethanol and biodiesel production. How do you reconcile your stated support for the farm bill renewable energy and energy efficiency programs and the Administration's budget proposal?

Answer. This is a very tight budget and embodies numerous difficult resource allocation decisions. The Administration's energy policy strongly supports development and expansion of renewable and bio-based energy sources. Rural Development is in the process of implementing Section 9006 of the Farm Bill to promote renewable energy and energy efficiency projects. The $23 million in mandatory funding will be made available as grants under this program. Rural Development has also supported renewable energy under its Business and Industry (B&I) guaranteed loan program, and the Value Added Producer Grant program. Through fiscal year 2003, projects totaling over $70 million will have been funded under these programs. For fiscal year 2004, the Department is continuing to seek funding for the Section 9006 program, but at the reduced level of $3 million, and as discretionary rather than mandatory money. During this tight budget environment, it is appropriate to pause and review the success and effectiveness of the significant funding that has already been provided. Furthermore, Rural Development will continue to support renewable and bio-based energy projects through the B&I program, and also the Value Added Producer Grant program.

ANIMAL FIGHTING

Question. I and many of my colleagues in the Senate and House are concerned about reports of illegal animal fighting. As you know, Congress strengthened this animal fighting law last year, as a component of the farm bill. In addition, we called on you to report back to the Committee on March 1, 2003 regarding plans for effective enforcement of the animal fighting law.

What can you tell us now about how the Department intends to carry out these responsibilities? When will we see the report?

Answer. The report will be sent to Congress on May 9, 2003. APHIS and the USDA's Office of the Inspector General (OIG) work together with State and local authorities to investigate and enforce Federal and State laws regarding animal fighting. USDA has made some progress with both APHIS and OIG taking steps to improve the effectiveness of the USDA enforcement effort. APHIS refers information it receives on animal fighting activities to OIG. OIG initiates investigations based upon the potential for criminal prosecution and as resources permit. In those instances where OIG does not initiate an investigation, it refers those complaints to State or local enforcement agencies as appropriate.

Despite these efforts, however, significant improvements cannot be achieved without increased involvement by other Federal and State law enforcement agencies specifically dedicated to investigating and prosecuting violators of the prohibition against animal fighting ventures. APHIS must rely on law enforcement agencies to conduct investigations into animal fighting ventures because they are often accompanied by other illegal activities and are inherently dangerous. APHIS and OIG will continue to work together to seek better ways of furthering the goal of reducing and eliminating illegal animal fighting ventures.

OUTSOURCING IN NRCS

Question. The farm bill does not authorize or justify downsizing of NRCS staff or outsourcing of their work. Instead, it provides for the use of outside personnel to supplement existing NRCS staff. I am concerned that the Administration has undertaken a process to downsize the agency by outsourcing and reducing the number of field offices.

Please provide for the record all analyses you have done of the expected workload involved in fully implementing the farm bill conservation programs and carrying out NRCS' responsibilities for assisting on-farm non-farm bill conservation. How will this workload be met by: NRCS staff; and outside personnel, and what are the planned numbers for each?

Answer. I will provide this information for the record.

[The information follows:]

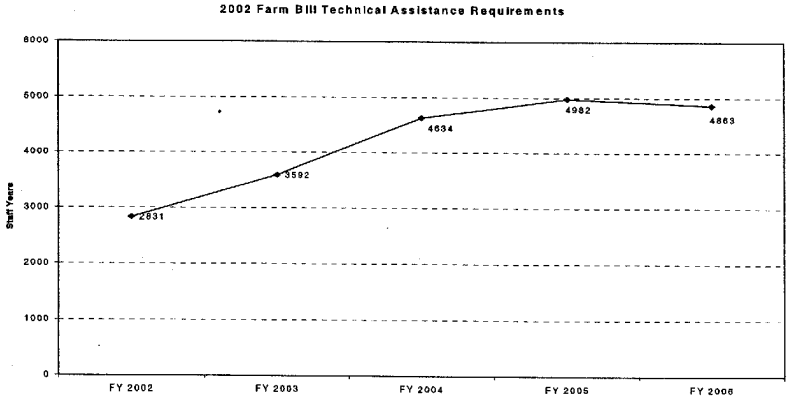
NRCS has developed a workload model to estimate the technical assistance costs to deliver each of the Farm Bill programs at the authorized level. The model uses information from the agency's Integrated Accountability System (IAS) including workload analysis, timekeeping, and financial systems data. The model is used to project future technical assistance requirements for Farm Bill programs based on actual data collected at the field level. This model assumes that the program will continue to be delivered in the way they are today. However, we anticipate finding opportunities to work smarter and more efficiently and effectively deliver technical assistance. Technical assistance is reflected as staff year needs, regardless of who does the work.

Farm Bill programs included in these technical assistance projections include:

—Agricultural Management Assistance Program (AMA)
—Conservation Reserve Program (CRP)
—Conservation Security Program (CSP)
—Environmental Quality Incentive Program (EQIP)
—Ground and Surface Water Conservation Program (GSWC)
—Klamath Basin
—Farm and Ranchland Protection Program (FRPP)
—Grassland Reserve Program (GRP)
—Wildlife Habitat Incentives Program (WHIP)
—Wetland Reserve Program (WRP)

Funding levels for Farm Bill Programs are based upon the Congressional Budget Office score of the Farm Bill. Funding levels can be adjusted to evaluate technical assistance requirements based upon different funding levels.

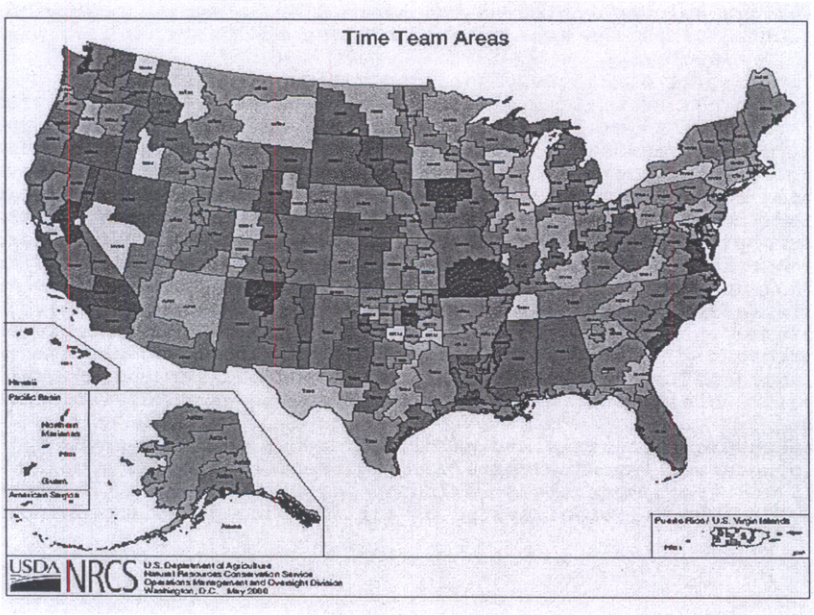
Farm Bill Technical Assistance Requirements currently projected based upon the model are displayed in the following graph:



The projections also include technical assistance requirements for USDA to continue to service ongoing Commodity Credit Corporation (CCC) contracts from prior years for the conservation programs authorized in the 1996 Farm Bill.

A key component of the NRCS workload projection model for Farm Bill Programs is the National Conservation Partnership Field Workload Analysis (WLA 2001), which provides a descriptive baseline of the workload requirements by discipline for Federal, State and district employees at the field level. WLA 2001 describes the time required by discipline for what employees do at the field level as described in 28 Core Work Products (CWPs). It captures the core field activities and the time to accomplish them for the NRCS field staff and the Conservation Partners field staff. WLA 2001 is used to estimate the staff years required to complete fiscal year projected workload and total resource conservation needs.

Within each Core Work Product, several tasks are identified and time associated with each task to accomplish the activity. Similar CWPs have the same tasks. For example, the natural resource CWPs all have the same tasks. Two hundred and eighteen Time Teams, consisting of NRCS and partner specialists (subject matter experts), provided estimates of the time required from various disciplines to perform the tasks necessary to accomplish each Core Work Product. Time teams were determined based on the area having similar resource concerns, geophysical characteristics, production characteristics, and cultural differences, time requirements for conservation activities.



Integrated with information from other components of the Integrated Accountability System, such as the Performance and Results Measurement System (PRMS) and the Total Costs and Accounting System (TCAS), the National Conservation Partnership Field Workload Analysis (WLA 2001) and the NRCS workload projection model for Farm Bill Programs are the analysis tools utilized to provide information necessary for management activities such as workforce planning, and performance planning.

The workload on non-farm bill programs consists of conservation planning assistance including lands, which are ultimately enrolled in Farm Bill programs and conservation practice installation accomplished on a voluntary basis without USDA incentives or cost sharing. The workload also includes development and maintenance of conservation technology such as the Field Office Technical Guide, soil surveys, water supply forecasts, conservation plant materials, etc, utilized by local, State and Federal agencies as well as individual land owners and operators, to guide resource management decisions and programs. In 2002, CTA resulted in 33 million tons of sediment reduction, conservation systems being applied on 8.8 million acres of grazing lands, and 2,172 Comprehensive Nutrient Management Plans being installed.

NRCS has allocated $20 million in fiscal year 2003 or approximately 209 staff years for Technical Service Providers (TSPs) to assist in implementing Farm Bill programs this fiscal year. We anticipate the portion of technical assistance provided by TSPs of the total workload will grow in future years.

MAINTAINING ASSISTANCE TO PRODUCERS

Question. How will you ensure that reducing NRCS staff will not harm producers' access to this important assistance?

Answer. USDA will continue to utilize the best available information to evaluate the conservation workload and determine the most cost-effective means of providing the highest quality technical assistance available for producers including the use of NRCS staff and technical service providers. Given the farm bill workload, no net staff reductions are anticipated.

To ensure high quality technical assistance is provided by technical service providers as well as NRCS staff implementation of several initiatives were undertaken during the first year of the new Farm Bill. A technical service provider online self-certification process (TECHREG) was made available from the NRCS website for organizations and individuals who wish to provide technical assistance to USDA customers. Several hundred technical service providers have registered and self certified and the list is growing each day. TECHREG also provides access to USDA

customers to identify sources of technical assistance available other than NRCS staff and their areas of expertise. NRCS quality assurance policies were revised and updated to provide a standard level of quality review for all technical assistance provided to USDA customers including technical service providers. On line access was developed and implemented to provide USDA customers and others electronic access to the latest in standards, specifications and other technical information available from their local Field Office Technical Guide.

By automating and streamlining administrative processes NRCS has made available staff resources for providing technical assistance under all programs, also reducing the technical assistance costs for the farm bill programs allowing more dollars to be available for cost-share assistance.

QUESTIONS SUBMITTED BY SENATOR BYRON L. DORGAN

LEGUME CROPS GENOMICS INITIATIVE

Question. The U.S. Legume Crops Genomics Initiative brings together growers and scientists to guide the development of priority research areas that will provide economic benefits and enhance sustainable agronomic practices of American agriculture. The initiative is designed to develop tools and research to alter compositional traits to further legume crops competitiveness and growers' profitability; maximize tolerance to biotic and abiotic stresses; and minimize use of inputs. Each of the 48 contiguous States produces legumes, from major row crops to alfalfa for hay and grazing. Agronomic improvements to legumes using modern genomics tools will provide an economic boost to agriculture in all areas of the United States. In 2000, the U.S. total estimated farmgate value was $22 billion. An added value derives from the legume symbiosis with soil bacteria that fixes nearly 17 million metric tons of atmospheric nitrogen each year, worth about $8 billion.

Given the need and benefits of the initiative, can you detail USDA's plans for including legume crops genomics funding in the Administration's budget?

Answer. Expansion and strengthening of legume genomics and genetics programs will play a crucial role in ensuring food for future generations. The fiscal year 2004 USDA/ARS request for sequencing and bioinformatics related to plants is $5.1 million of which $1.2 million is proposed for legume genomics.

USDA/CSREES supports plant/crop genomics (including legumes) through its competitive grants program, the National Research Initiative (NRI). The fiscal year 2004 request for the NRI is $200 million with $9 million requested for plant genomics (including legumes).

WORLD TRADE ORGANIZATION

Question. On March 17, the USTR official in charge of agricultural trade with China stated that the United States would be well justified in filing a WTO case against China, for failing to live up to its commitments on wheat trade. The official said that the evidence of unfair trade by the Chinese was undeniable, and that the Chinese themselves privately acknowledge that they are cheating on agricultural trade. He said that the interagency Trade Policy Review Group has given USTR the green light to move forward with a WTO case against China. But the official said that the Administration was reluctant to do so, because the Chinese might be offended. He said the Administration was worried that a WTO case would be seen as an "in-your-face" thing to do to China, so soon after China joined the WTO.

Is the Foreign Agricultural Service of USDA a part of the Trade Policy Review Group?

Answer. USDA is part of the interagency Trade Policy Review Group (TPRG), which also includes USTR, State, Commerce, Treasury, NSC, and several other agencies. USDA's representative at these meetings can vary depending on the topic, but generally includes high-level representation from either the Office of the Secretary, the Office of the Under Secretary for Farm and Foreign Agricultural Services, or the Foreign Agricultural Service.

Question. Didn't FAS sign off on a WTO case against China on wheat trade?

Answer. In the TPRG meeting that you refer to, USDA expressed support, absent a timely resolution of outstanding concerns, for pursuing a WTO case against China over its overall administration of its TRQ system. The TPRG deferred a decision to initiate a WTO case, pending the outcome of further discussions with the Chinese to resolve the issue. Ambassador Zoellick and Ambassador Johnson raised our concerns at the highest levels during their subsequent visit to Beijing in February. A follow-up meeting, which has been delayed by the SARS situation, is expected to occur in the very near future. Absent a satisfactory outcome, it is expected the

TPRG would reconvene to revisit the issue of initiating a WTO case. Wheat is one of nine agricultural commodities covered by China's TRQ system, and USDA believes that improvements in China's TRQ system would lead to greater market access for U.S. wheat and other commodities.

Question. Do you believe that filing a WTO case is an "in-your-face" thing to do, when there is undeniable evidence of a trade violation, as the USTR official stated?

Answer. USDA views very seriously China's failure to fully meet its WTO commitments. Our preference would be to resolve the issue bilaterally, as the WTO option, while certainly a viable one, could prove time consuming and could ultimately produce mixed results. At the same time, we recognize the bilateral process should not be open ended and that China should take immediate steps to bring its practices into compliance with the WTO. Toward that end, we are actively engaged with other U.S. agencies in preparation for upcoming negotiations with the Chinese to resolve this issue.

RURAL DEVELOPMENT FARM BILL SPENDING CUTS

Question. The Administration's proposal to prohibit all fiscal year 2004 mandatory funding for all Rural Development programs authorized in the Farm Bill and instead fund a few at much lower levels than authorized (such as renewable energy programs and enhancement of access to broadband services) is going to put tremendous pressure on this Subcommittee to fund these items with a very limited discretionary allocation.

Do you consider these issues when you claim that there are no cuts in the Farm Bill spending?

Answer. USDA considered both the mandatory and discretionary funding in developing its 2004 budget. The proposals to not spend mandatory funding that was authorized in the Farm Bill provided offsets for a portion of the discretionary funding that is being requested in the budget. Without these offsets, it would be even more difficult to stay within the discretionary spending targets.

PUBLIC LAW 480 PROGRAM FUNDING

Question. The Administration's request would provide $1.185 billion for Public Law 480, which provides grants to private voluntary organizations (PVOs), and the World Food Program (WFP), to alleviate hunger. Last year, Congress provided $1.44 billion in appropriations, $300 million in supplemental appropriations (for a total of $1.74 billion).

Why does the Administration believe that the appropriations needed will be $555 million less in fiscal year 2004 than in fiscal year 2003?

Answer. Fiscal year 2003 is unusual in that unfavorable climatic conditions in the United States last summer resulted in dramatically higher commodity prices at the same time that we are experiencing several large scale emergencies overseas. The scale of the emergencies and the fact that they overlapped is almost unprecedented. Congress responded to the situation by increasing the level of appropriations for Public Law 480 Title II for fiscal year 2003.

Although we do not see an end to emergencies in fiscal year 2004, the budget assumption in this regard is that fiscal year 2003 is an unusual year in terms of the magnitude of emergency requirements, e.g., droughts in the Horn and Southern Africa and conflict in Iraq, and that the funding level required to respond to emergencies in fiscal year 2004 will not be as high.

SALES OF LOAN ASSETS

Question. I see that your budget includes a new provision that would provide an estimated savings of $5 million from the sales of loan assets. I have to admit that this provision makes me very nervous given the experience that North Dakotans have had with the Small Business Administration's asset sale program and the sale of their disaster loans to private companies.

A GAO report released last January confirmed the complaints that I heard and found very serious problems in SBA's asset sales program. This report found that SBA lacks a comprehensive system to document and track all borrower inquiries and complaints after loans are sold, that SBA incorrectly calculated the losses on its loan sales and lacks reliable financial statements. It recommended that before OMB continues to encourage loan sales at USDA and other agencies, it make sure that agencies have the capability to properly carry out and account for these activities.

Does USDA have these mechanisms in place? Is USDA familiar with the concerns raised by GAO, and if so, what does it plan to do to address borrower inquiries and complaints after FSA and Rural Development loans are sold?

Answer. USDA does have mechanisms in place to correctly account for its loan programs and to handle constituent inquiries of any kind. USDA has reviewed the GAO report on the SBA loan sales program and is currently working with OMB to make certain that the problems experienced by SBA are not repeated at USDA. In the event of a sale of loan assets, all borrower rights would still be protected, as they were during previous sales.

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

MEXICAN FRUIT FLY ASSISTANCE

Question. Secretary Veneman, I am concerned that the Mexican fruit fly outbreak this year is already worse—much worse than the previous Fallbrook outbreak. In 2000 I helped provide assistance to San Diego farmers hurt by the fruit fly outbreak, yet few growers who applied for payments received assistance from USDA.

Secretary Veneman, if 1,470 growers suffered approximately $3.5 million in total losses, why did your department only provide assistance to 60 growers for a total of $644,225?

Answer. We provided assistance to all producers that applied for the program. Some producers may have elected not to participate because of issues relating to gross revenue eligibility requirements.

MEXICAN FRUIT FLY OUTBREAK

Question. Fighting this infestation will be costly and I believe this widespread invasion of foreign species requires a strong Federal response from Congress. What more can USDA do to provide assistance to the avocado and citrus growers hurt by the current Mexican Fruit Fly outbreak?

Answer. USDA is mounting an aggressive response to the outbreaks. Since the initial detection of Mexican Fruit Fly (MXFF) in November 2002, APHIS and the California Department of Food and Agriculture have worked diligently to prevent and alleviate damage from this harmful pest as part of a cooperative eradication effort. We have increased trapping densities, continuously release millions of sterile MXFF's per square mile for at least two generations, and applied ground bait pesticide sprays and aerial treatments. We are also developing regulatory treatments especially for specialty fruits and organically grown commodities. Our program protocols specify pre-harvest and post-harvest treatments to allow the continued movement of commodities such as avocados and citrus in commerce.

Question. Would you support direct financial assistance to help the growers in San Diego County?

Answer. I would be happy to work with you to discuss the funding for the program.

Question. To ensure high value specialty crop growers are able to receive the help they deserve, I believe compensation payment must be based on the value of the crop, not the acreage. Would you support adding specific language to an appropriations bill to specify this so that growers of high value crops like avocados and citrus receive adequate payments?

Answer. I would be happy to work with you to discuss the funding for the program.

REALLOCATING UNUSED SUGAR EXPORT QUOTAS TO OTHER COUNTRIES

Question. Secretary Veneman, I was able to include an amendment to the Farm Bill to allow you the authority to ensure that the amount of sugar allowed to come into the United States actually makes it to the market.

At the end of section 1403 of the Farm Bill, I included a provision that allows you, working with the United States Trade Representative, to reallocate any unfilled portion of a sugar exporting country's quota when that country does not fill its quota.

On March 25th, I wrote you a letter urging you to make this reallocation because there are 50,000–60,000 tons of sugar that could be exported to the United States right now from other nations that have already met their cap. Will USDA and USTR be making this reallocation this year to help refineries like C&H Sugar—the only sugar refinery on the West Coast—obtain more raw sugar to be refined?

Answer. According to current estimates, the shortfall of the raw cane sugar tariff rate quota for fiscal year 2003 is expected to be 30,000 tons. The Harmonized Tariff Schedule of the United States and the Farm Bill authorize the United States Trade Representative to allocate the quota and reallocate it, if necessary. USDA's authority is limited to establishment of the quota and consulting with the U.S. Trade Rep-

resentative. Concerning this year, the U.S. Trade Representative has not informed us of his intentions regarding a shortfall reallocation.

QUESTIONS SUBMITTED BY SENATOR RICHARD J. DURBIN

PATHOGEN TESTING AND ENFORCEMENT

Question. Madame Secretary, in a speech you gave in March you said "we are working under a Meat Inspection Act that pre-dates the Model T," and I couldn't agree with you more. It is obvious that changes are needed to ensure that dirty meat processing plants can be shut down based on the results of microbiological testing, and Senator Harkin, myself and others have sought to clarify the USDA's authority through the Pathogen Reduction and Enforcement Act, or Kevin's Law, as it also is known. I also want to ensure that you have enough resources to implement a vigorous microbiological testing program.

You have asked for a $6 million increase to strengthen FSIS' microbiological testing program for Salmonella, E.Coli and Listeria. How frequently will the USDA be testing products for Salmonella, E.Coli and Listeria with the $6 million requested, and is that enough to make the new E.Coli and Listeria testing directives meaningful?

Answer. The proposed increase of just over $6 million is to strengthen USDA's microbiological testing program. Of the approximately $6 million requested, $4.5 million would be used to provide additional microbiologists, chemists, laboratory technicians, and other personnel to increase the agency's ability to identify adulterants in meat, poultry, and egg products. This funding will help the agency develop analytical methods to test food products for chemical, biological, and radiological contamination. This initiative will also increase sampling of ready-to-eat (RTE) products for the presence of bacteria such as Listeria monocytogenes and Salmonella. FSIS will increase sampling of these products from 10,000 to 15,000 annually and will add the capability to conduct 5,000 Listeria monocytogenes environmental samples annually. The agency also plans to increase sampling of raw ground beef and raw ground beef ingredients for E. coli O157:H7 from 7,000 to 15,000 samples annually.

The budget request also includes a new $1.7 million initiative to establish nationwide microbiological baseline studies to provide the long-term data necessary to assess the ongoing risks presented by the products FSIS regulates. The use of nationwide microbiological baseline studies will improve data quality and help us further incorporate risk management into all regulatory and policy actions. Furthermore, these increases will significantly increase FSIS' ability to identify food safety risks associated with these pathogens.

Question. How much more testing could USDA perform if it were given $10 million for the testing program?

Answer. It costs the agency approximately $130 per test. However, the budget fully funds the laboratory needs for 2004.

MANDATORY NOTICE AND RECALL

Question. Madame Secretary, you also suggested earlier this year that you would be willing to support mandatory notification to USDA when a Federally inspected establishment has reason to believe it has adulterated or misbranded meat or poultry. You also called for civil penalties for continual lack of compliance, and expedited cease-and-desist orders and suspensions for those companies that violate their Hazard Analysis and Critical Control Points plan.

I support you in seeking these authorities, but I'm curious to know why you did not seek mandatory recall authority of an adulterated product, considering mandatory notice of adulteration, and recall authority, traditionally go hand in glove? Why would you want mandatory notice of a food safety problem, but not want the authority to act on it?

Answer. FSIS has the means to quickly remove potentially adulterated product from commerce in order to protect the public health. Any new authority would need to be implemented with an eye towards enhancing public health. Providing FSIS with mandatory recall authority would not increase the safety of our food supply nor enhance our Nation's public health.

Advance notice of food safety problems would enable FSIS to more quickly identify and act to initiate a recall or other action to protect public health from a potential food safety hazard. This would provide an additional tool to increase response time to a food safety hazard with a recall or other action. A company's decision to comply with a voluntary recall request from FSIS is compelled by FSIS enforcement powers

such as detention and seizure authority. In addition to detention and seizure authority, the agency can also shut a plant down by withholding official inspection.

LISTERIA STANDARDS

Question. Last summer a multi-state Listeriosis outbreak linked to deli products sickened at least 53 consumers, killing eight people and causing three miscarriages or stillbirths. More than 2 years have passed since the USDA published a proposal to require ready-to-eat meat and poultry processing plants to test for Listeria. A recent USDA risk assessment showed that requiring even more frequent Listeria testing than was proposed in 2001 would "lead to a proportionally lower risk of listeriosis." Thus, the new risk assessment provides the scientific basis for the USDA to issue a stronger Listeria rule.

When do you anticipate issuing the final regulations for Listeria testing and when would those regulations go into effect?

Answer. We plan on issuing an interim final rule on June 4, 2003 with an effective date of 120 days after publication in the Federal Register.

Question. Wouldn't more testing save more lives by helping plants to more rapidly identify when they are not adequately controlling Listeria? Shouldn't USDA be seeking a testing scheme that is more protective of public health?

Answer. Through use of the Listeria risk assessment, FSIS discovered that a combination of testing, sanitation and interventions yielded greater benefits than any one strategy alone. The risk assessment also demonstrated that the use of intervention steps, such as post-packaging pasteurization or the introduction of growth inhibitors, showed dramatic public health benefits.

FSIS has worked diligently to gather the extensive scientific data necessary to develop a predictive risk assessment model. By allowing FSIS to evaluate factors that potentially contribute to the overall risk to public health, this risk assessment has given FSIS scientific confidence that new policies will be effective.

SAFETY OF FOODS PURCHASED BY SCHOOLS

Question. About 17 percent of the food served in schools is donated by the Federal Government and undergoes stringent USDA food-safety standards, including increased inspections and tougher pathogen standards. The USDA also has extensive safety information available to it on the companies it purchases food from to help it make informed decisions. Yet, the remaining 83 percent of food consumed at schools is purchased locally and is not subjected to these tougher standards. Local school officials also do not have access to the safety information that their Federal counterparts have when making their purchasing decisions.

In 2002, the General Accounting Office recommended USDA provide local school authorities with information and guidance on incorporating these more stringent safety provisions in their procurement contracts. The GAO also urged USDA to consider giving schools access to records from USDA's and FDA's inspections of prospective school food suppliers.

Have you followed up on these GAO recommendations? If so, to what extent have these recommendations been implemented?

Answer. As we understand it, the General Accounting Office (GAO) made these suggestions in testimony given in April 2002 on "Continued Vigilance Needed to Ensure Safety of School Meals." Since that time, GAO has done extensive work in this subject area. They recently concluded an audit entitled, "GAO Audit of School Meal Programs: Opportunities Exist to Improve Nationwide Data on Frequency and Causes of Foodborne Illness and to Enhance School Food Safety Efforts (Assignment No. 360246)." GAO held exit conferences with the Food Safety and Inspection Service (FSIS), the Agricultural Marketing Service (AMS), and the Food and Nutrition Service (FNS) on March 7 and April 15, 2003. GAO released the audit on May 9, 2003, entitled "School Meal Programs: Few Instances of Foodborne Outbreaks Reported, but Opportunities Exist to Enhance Outbreak Data and Food Safety Practices (GAO–03–530)."

GAO's recommendation that USDA provide local school authorities with information and guidance on incorporating these more stringent safety provisions in their procurement contracts is currently being addressed. First Choice: A Purchasing System Manual for School Food Service has been revised and published by the National School Food Service Management Institute (NFSMI). NFSMI is currently working on a food safety supplement to First Choice that provides information on how to apply food safety to food purchasing including guidance on food safety procurement language that schools could use in developing their contracts. This supplement will be made available to every local school as a technical resource in the fall of 2003. Development and distribution of these NFSMI products are fully funded by USDA.

The suggestion to share inspection records was not raised in either exit conference or in the statement of facts that GAO provided. We feel that sharing inspection records with schools would not be an effective or efficient means of helping them make purchases, as these records are complex and voluminous. AMS conducts lengthy and rigorous screening of potential vendors and considers many factors, including inspection records, before admitting a vendor to the Approved Vendor List. That list, which may be useful to schools, is available on the AMS website.

USDA COMMODITY STANDARDS FOR LOCAL SCHOOLS

Question. What would be the health benefits of incorporating USDA's donated commodity standards into local schools' food-purchasing contracts?

Answer. There would be little or no health benefits of incorporating USDA's donated commodity standards into local school food purchasing contracts, as the more stringent safety standards only apply to USDA commodities of ground meats, turkey, some egg products, frozen cooked diced chicken, and canned fruits and vegetables. Otherwise, all foods supplied through the USDA commodity donation program have the same safety standards as are required for commercially available foods. Schools, for the most part, choose to use their entitlement money to purchase those products that are more stringently regulated (ground meats, turkey, some egg products, and frozen cooked diced chicken), and purchase very little of those same foods from the commercial market. Schools make direct purchases of foods such as fresh dairy products, fresh bread and other baked goods, additional fresh, frozen, or canned fruits and vegetables, and staples, such as salt, sugar, seasonings, and spices, for which no more stringent specifications are available at the Federal level.

SCHOOLS ACCESS TO SAFETY DATA

Question. Would school officials be able to make better purchasing decisions if they had access to companies' safety data? What barriers (legal or otherwise) are preventing USDA from implementing these recommendations?

Answer. No, we believe giving schools access to companies' safety data would prove to be overwhelming and not informative. If the assumption is that these records would lead school officials directly to a decision to purchase or not to purchase, there is no single set of inspection records that could be used to arrive at that conclusion. As noted above, heavily regulated foods supplied through the commodity program are more stringently governed by food safety measures. Other food items supplied by USDA or purchased commercially by schools meet all of the current safety standards as are required for all commercially available foods.

One barrier to providing inspection and safety records is that this data is voluminous, complex, and requires specialized knowledge of the subject in order to be properly interpreted. Another barrier is that this information would need to be screened and, in some cases "sanitized," to protect confidential and proprietary commercial information, or other protected information, from release.

SAFE FOODS IN SCHOOLS

Question. What other methods could be employed to ensure that schools are purchasing and preparing the safest foods possible for the school lunch program?

Answer. We believe that training school food service staff is the key to ensuring that schools are purchasing and preparing safe foods. Administering State agencies provide training to school food service personnel on an on-going basis. To support training in the areas of safe food purchasing and food handling practices, FNS has worked closely with the National Food Service Management Institute (NFSMI) to provide guidance and seminars to complement State agency training endeavors.

NFSMI is a key resource for food safety materials, education and training for food service personnel in our nutrition programs. Established by Congress in 1989, the Institute recently created a network of Hazard Analysis and Critical Control Points (HACCP) instructors to train school food service employees in HACCP principles, and developed a manual and teleconferences to train food service managers in responding to a food recall or emergency readiness crisis. In addition, NFSMI has been active in developing procurement materials including the manual, First Choice, A Purchasing Systems Manual for School Food Service which was originally published in 1995. Since its publication, over 2,000 school food service professionals have attended seminars using the manual as a reference. This training effort reinforces the concept that food procurement is integrally related to food safety. Emphasis is placed on bid specifications, laboratory testing of products, food recall procedures, and receiving and storage of foods.

FNS's Team Nutrition developed a complementary manual, Serving It Safe: A Manager's Tool Kit to assist food service managers to implement a comprehensive

sanitation and safety program in the cafeteria. Emphasis is placed on identifying key phases and critical control points in the food preparation process and identifying methods of preventing problems during each phase of the process. FNS continues to develop materials to educate food service personnel on food safety issues and to emphasize the importance of the safety of the food in school meals. We have distributed irradiation pamphlets; bio-security guidelines for school food service; "Fight BAC" food safety posters and pocket cards; "Thermy" pocket card, poster and magnet; and a manager's checklist.

FNS is providing funding to the NFSMI for various food safety projects including: creation of a Hand Washing Video and Poster, adding hazard analysis and critical control points information to all USDA recipes, and updating Serving it Safe—A Manager's Toolkit.

While we will continue to provide materials and guidance and to work with States to educate school food service personnel on food safety issues, we also believe that the reauthorization of the Child Nutrition Programs offers an opportunity to reaffirm the importance of food safety. We would support requiring all school food authorities to employ approved HACCP procedures in the preparation and service of meals, to ensure that every meal is prepared under the safest, most wholesome conditions possible.

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

COUNTRY OF ORIGIN LABELING—CONSUMER BENEFITS

Question. A study from the International Agricultural Trade and Policy Center at the University of Florida was released yesterday concerning the benefits and costs of mandatory COL. This is the only comprehensive, independent study on COOL that covers the benefits of labeling, and also provides a legal analysis to guide regulators at USDA in the implementation of the rule. No other report exists other than those paid for by lobbying groups and opponents of COL.

The report contains very encouraging news about consumer willingness to pay for beef containing a U.S. label. It suggests the benefits of COL for beef may total between $3 and $6 billion if you extrapolate the consumer willingness to pay a 10 percent premium for steaks, 10 percent premium for roasts, and a 24 percent premium for hamburger. (We know from a recent Colorado State study consumers are willing to pay those premiums for beef with a U.S. label.) Finally, the University of Florida report suggests labeling won't cost $2 billion, but rather between $70 and $200 million.

I encourage USDA to review this study and glean useful information from it.

Has USDA ever studied the benefits of COL? If not, why?

Answer. USDA has conducted studies that examined the benefits of Country of Origin Labeling (COOL). The Conference Report accompanying the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 directed the Secretary of Agriculture to conduct a study on the potential effects of mandatory country of origin labeling of imported fresh muscle cuts of beef and lamb until such products reach the ultimate consumer. As directed, USDA's Food Safety and Inspection Service released a report entitled "Mandatory Country of Origin Labeling of Imported Fresh Muscle Cuts of Beef and Lamb" in January 2000. The findings of the report relate to benefits, costs, implications for international trade, and stakeholder views.

To fulfill requirements of the Paperwork Reduction Act of 1995 (PRA), USDA estimated the annual reporting and recordingkeeping burden associated with the voluntary COOL program published on October 11, 2002. The PRA requires the estimation of the amount of time and related cost necessary for participants to comply with a program, but does not require the determination of any benefits that may be attributed to a program.

In the process of promulgating the regulations to implement mandatory COOL, USDA will prepare a cost/benefit assessment. We have received many comments on the initial reporting and recordkeeping burden estimates, which combined with information gleaned from available studies, the voluntary COOL program, and other public and private data, will assist us in examining both the benefits and costs of mandatory country of origin labeling.

Question. Do you agree that the consumer demand for knowing the country of origin of the food they feed their children is very substantial?

Answer. Many groups, including consumers and industry associations, have expressed an intense interest in the value of country of origin labeling.

Question. Do you agree that there may well be a significant willingness on the part of consumers to pay for information about the origin of the food they feed their families?

Answer. This will be one of the issues that will be examined when the requisite cost/benefit analysis is conducted as part of the mandatory rulemaking.

Question. Do you agree that more consumer information about their food is better than less information?

Answer. In general, consumers benefit from having more information on which to base their purchasing decisions. However, the costs of providing the additional information must be considered as well as the benefits.

A recent independent consumer survey conducted by economists at Colorado State University indicated that of those surveyed, 75 percent of consumers prefer mandatory COL for beef. Other findings included: 73 percent of consumers were willing to pay an 11-percent premium for steak and a 24-percent premium for hamburger with a "U.S." label and 21 percent of the consumers surveyed preferred COL for beef because they want to support U.S. ranchers—they prefer to buy American meat from American producers.

Question. Has USDA reviewed this consumer survey, will you consider these consumer benefits as you write the final rule, and do you agree with the results from the survey?

Answer. As part of the rulemaking process, USDA will prepare a detailed cost/benefit analysis utilizing all of the pertinent information available, including the Colorado State University survey. However, the researchers who conducted this survey recently issued a fact sheet about the appropriate use of the survey data and stated that results of the study "were not intended to and should not be used to establish COOL policy or cost benefit analysis."

COUNTRY OF ORIGIN LABELING—PACKER THREATS

Question. My constituents are very supportive of COL, but are very concerned about the abusive letters sent by meat packers saying that the packers intend to conduct random private audits of farmers and ranchers for compliance. The law was carefully written to prohibit on-farm, mandatory animal identification and it doesn't permit third-party audits mandated by packers.

What provision of the COL law leads USDA or the packers to believe mandatory third-party audits are permissible?

Answer. While Section 282(f)(1) of the law expressly prohibits USDA from using a mandatory identification system to verify country of origin, the law does not contain any language prohibiting the industry from using whatever method industry participants deem appropriate, including the use of third-party audits, to verify the country of origin information they receive from their suppliers (i.e. producers).

Question. Why do you believe it is reasonable for a packer to require a third-party audit of a farm when existing USDA programs to track origin and other information (USDA grading system, Certified Angus Beef program, school lunch program) do not allow for a similar requirement?

Answer. The COOL law requires suppliers to provide country of origin information to retailers. Retailers and their suppliers are subject to fines of up to $10,000 per violation under the law. Therefore, it is reasonable to expect that industry participants will take the steps necessary to ensure themselves that they are in compliance with the law. In order for retailers to make accurate origin claims, suppliers must have proper documentation to verify "born, raised, slaughtered" information. Such documentation can only be provided by producers that have first-hand knowledge of where an animal was born.

The USDA grading system, Certified Angus Beef program, and school lunch program are command-and-control type systems that can only be utilized in conjunction with a mandatory identification system. Because USDA itself administers these systems, third-party audits by packers or other entities would be redundant.

Question. Do you agree with me that the prohibition of a mandatory animal identification system in the COL law means that USDA cannot mark product to trace the farm of origin but can mark product, including animals, to show the country of origin?

Answer. This provision states that USDA "shall not use a mandatory identification system to verify the country of origin of a covered commodity." The provision is not limited to mandatory animal identification systems and prohibits USDA from mandating any type of identification system to verify the country of origin.

COUNTRY OF ORIGIN LABLEING—RECORDKEEPING/IMPLEMENTATION

Question. Livestock producers currently maintain birth, health, sales, breeding, feed, beef quality, veterinary, and inventory records on the cattle, sheep, and hogs they own. I intend for producers to be able to self-certify this information which can be utilized to help verify the origin of animals for COL.

Does USDA believe this type of information that a majority of producers already maintain is sufficient to comply w/COL?

Answer. USDA believes that in general, these types of records are useful in verifying the origin of animals for COOL. However, maintaining documents and records such as those listed will not necessarily ensure compliance. During a compliance audit conducted by USDA, auditors will review and assess any and all documents and information to the extent necessary to arrive at an accurate decision on compliance.

Question. If not, what additional information do you believe you will require?

Answer. Because of the diversity in industry operations, we cannot predetermine precisely what documents will be necessary to verify origin claims.

The COL law gave USDA discretion to create an audit verification system (not a mandatory system!) to help verify the origin of livestock. We included many existing industry practices and USDA programs to model in order to achieve voluntary audits. Some of these models include: the USDA grade stamp system—i.e. Choice, Select, etc, Certified Angus Beef and other breed programs, Beef Quality Assurance, Hazard Analysis Critical Control Points—HACCP, the national school lunch program, the Market Access Program, and, the voluntary "Born and Raised in the USA" label used by Carolyn Carey of California).

Question. To what extent is USDA using existing models to implement COL?

Answer. While the law provides USDA with the authority to require and enforce retail labeling, it does not provide USDA with the authority to certify and control the movement of products from production through retail sales. A necessary component of the models referenced is a mandatory identification system, which USDA is prohibited from requiring, to verify country of origin claims. Thus, none of these models could be used to implement COOL.

Recently, I discovered that for one beef carcass, packers track up to 2,500 different products—called stock keeping units. Packers segregate beef products by owner, type, breed, grade, and special company brands or labels they use to market the beef they sell. All of this information is computerized and records are kept by the company.

Moreover, a sticker is placed on every beef carcass which includes an identification number for the carcass and the packing plant number. This data is read from each sticker/carcass and downloaded into the company's computer system. Boxed beef items are shipped to their final destination according to a complex computerized routing system. The boxes of beef contain labels denoting a wide array of data, including: cut of meat, breed of animal meat is derived from, final destination (whether for export, a grocery store, or wholesaler), special company labels, packing plant, quality grade of meat, and weight among other information.

All of this data is stored on a bar code included on every label placed on the boxed beef. It is my belief that while tracking animals, carcasses, and meat for COL will include costs, it isn't impossible and it can be done knowing they track so many other bits of information for their business operations.

Question. If packers are tracking enough information to keep track of 2,500 different products from one beef animal, how are we to believe it's virtually impossible and exorbitantly costly for them to also track the origin of the animals?

Answer. The level of complexity in the packing industry will be a function of the variation of the number of different origins and the number of products they process. In addition to maintaining an accurate recordkeeping system, packers that handle products from more than one country of origin will be required to have a segregation plan to maintain the identity of the origin of the product. Facilities may need modifications to permit product segregation, and there may be additional costs associated with handling, employee training, marketing, invoicing, shipping, etc. Products that may be of mixed origin, such as ground beef, add additional complexity to process needed to ensure credible country of origin labeling claims.

Question. Do you agree that the food industry currently tracks a large amount of data (at least 2,500 products just for one beef animal) about their product so that a whole new record keeping system is NOT required, but merely an adjustment to current records?

Answer. USDA does not believe that records pertaining to the origin of covered commodities as defined by the COOL law are already maintained by affected entities. While it may be possible for these entities to make modifications to their exist-

ing recordkeeping systems in order to meet the requirements of COOL, it is an additional burden that USDA must account for in the recordkeeping costs.

TRACKING IMPORTS ONLY FOR VERIFICATION OF COUNTRY OF ORGIN LABELING

Question. It has been pointed out to me that under Article 9 (IX) of GATT 1994, live cattle entering the United States can be marked as to their country of origin so long as the mark doesn't discriminate against, materially reduce the value of, or unreasonably increase the cost of the imported item. Indeed, last year the U.S. imported about 800,000 calves from Mexico, and most of these calves were branded with an "M" to differentiate them from domestic cattle. This practice is in compliance with Article 9 of GATT.

Several organizations have made a very compelling case to me that one way to reduce the implementation and tracking costs associated with COL is to have USDA require markings similar to the "M" applied to imports of Mexican cattle on all imported livestock. The rationale is that tracking these markings on imports will reduce overall costs for implementation. I believe the costs associated with tracking only imported animals for COL implementation—in accordance w/Article 9 of GATT—is a common sense approach to pursue which is permissible under the law and would reduce implementation costs because imported livestock are already marked as such.

To what extent has USDA analyzed Article 9 of GATT to determine how to implement COL?

Answer. In promulgating the regulations for the mandatory Country of Origin Labeling program, USDA will analyze the pertinent statutes that govern the marking of imported goods and will work with the Office of the U.S. Trade Representative to ensure that the United States is in compliance with all of the applicable trade laws.

Question. Does USDA have a position on using Article 9 of GATT as a rationale to track only imported animals for COL implementation?

Answer. The COOL law applies to all covered commodities and specifically identifies the criteria that products of U.S. origin must meet. While Article 9 of GATT may permit the marking of imported animals, the COOL law does not provide authority to control the movement of domestic or imported products and prohibits the use of a mandatory identification system, which would be required to track imported product through the entire chain of commerce.

Question. Do you agree that virtually all imported covered commodities are currently marked as to country of origin and that such marks are specifically allowed by GATT and WTO rules?

Answer. While products imported in consumer-ready packages are required to be labeled for origin, many imports undergo some type of transformation that eliminates the current requirement for labeling of origin. In addition, certain products such as livestock are currently on the "J-List" and are exempt from marking requirements.

Question. In general terms, the United States only imports around 2 million head of live cattle but slaughters 28 million head. Obviously, most of the cattle we slaughter are of U.S. origin. Doesn't it make sense to USDA that tracking the 2 million imported cattle would be less costly than keeping track of 28 million?

Answer. While tracking only imported cattle may be less costly than tracking 28 million head, the law applies to all covered commodities and specifically identifies the criteria that product of U.S. origin must meet. The law does not provide authority to control the movement of products and prohibits the use of a mandatory identification system, which would be required to track product through the entire chain of commerce. Because the law requires country of origin labeling by retailers, compliance enforcement will begin at retail and will track the country of origin claims back through the production and marketing chain. Not all imported animals and covered commodities will be sold at retail, so there is little justification for requiring marking and tracking of all imported products.

COUNTRY OF ORIGIN LABELING—TRADE

Question. Nearly 30 major trading Nations in the world have mandatory COL programs for food.

Has the United States ever filed a complaint in the WTO against any of these foreign labeling requirements?

Answer. The U.S. filed a complaint against certain trade practices followed by Korea, which included an import labeling component.

Question. Has USDA reviewed any of these foreign labeling requirements so as to learn what pitfalls and/or success stories may be available regarding COL implementation?

Answer. USDA has reviewed many existing labeling requirements, including State labeling laws. However, all of these labeling programs have different definitions and requirements that provide limited value in terms of implementing the specificity of origin in the COOL law.

COUNTRY OF ORIGIN LABELING—COST

Question. Earlier this year USDA released a public cost estimate of $2 billion for implementation of COL. I can think of no credible organization that agrees with this exorbitant estimate.

Through a Freedom of Information Act request, it was discovered that USDA only consulted with 3 organizations regarding the possible cost of COL—and all 3 were among the most powerful opponents of COL.

The documents released to the Consumer Federation of America reveal USDA consulted with the National Meat Association (packers), the National Food Processors Association, and the National Pork Producers Council before developing the $2 billion cost estimate.

Shortly thereafter, I wrote you a letter asking that you explain the methods USDA used to determine the initial cost of COL and why you apparently met only with opponents.

You recently responded to my letter, assured me USDA would implement COL in a fair and balanced matter, and said USDA officials met formally w/29 different organizations and State programs regarding the cost estimate of COL, as opposed to just 3.

How many of the 29 groups supported COL and would you provide me with a list of the 29 different organizations USDA met with to discuss cost issues?

Answer. USDA was approached by numerous groups representing a variety of industry segments and we tried to meet with as many groups as possible. As the law had already been enacted, our discussions were focused more on the overall implementation of Country of Origin Labeling rather than the individual group's position on COOL. A copy of all of the groups we have met with to date is attached.

[The information follows:]

Event name	Event dates
Food Labeling Conference	January 15
R-Calf National Conv.	January 23–25
NAMP Executive Cmte.	January 27
NCBA/CBB Conv. & Trade Show	January 29-February 1
Northern VA Angus Assn.	February 1
Lancaster County Cattle Feeders Day	February 4
National Grocers Assn./GRLC	February 4
American Sheep Industry Assn. Annual Conv.	February 6–8
Congressional Research Service	February 14
California State Univ. @ Chico	February 15
American Farm Bureau Federation	February 16–20
United Fresh Fruit & Vegetable Assn.	February 21–24
Agricultural Women's Leadership Network Forum	February 24
21st Century Pork Club	February 26–28
National Meat Assn. MEATXPO 2003	March 2–5
Kentucky Farm Bureau	March 3–6
Joplin Regional Stockyards/Mo. Cattlemen's Assn	March 11
AMI/FMI/Topco Meat Conference	March 9–11
South Dakota Briefing—Farm Bill/USDA Programs & Services	March 11
International Boston Seafood Show	March 11–13
National Lamb Feeders Assn.	March 13–15
House Ag Committee Briefing	March 17
Virginia Farm Bureau	March 18
AAEA/FAMPS Food Labeling Conf.	March 20–21
Oklahoma Ag Leadership	March 20
Texas Southwest Cattle Raisers Assn.	March 23–26
Haverlah Ranch—Powderhorn Cowbelles	March 25
Missouri Cattlemen's Association	March 25
International Meat Secretariat/OPIC Regional Meeting	March 30–April 1
Missouri Stockgrowers Assn.	April 10–12
National Cattlemen's Beef Assn., Spring Conference	April 11

Event name	Event dates
NFI Spring Conference	April 11–16
NAFTA Workshop	April 23–26
Federal Food Regulatory Conf.	April 28
American Farm Bureau Federation	May 6

2003 LIVESTOCK FEED PROGRAM

Question. On August 12, 2002, you announced $150 million in feed assistance for producers in Colorado, Nebraska, South Dakota, and Wyoming. This assistance was provided in the form of $23 feed credits for producers to use at their local feed supply store. At the same time, USDA was sending participating feed mills surplus nonfat dry milk stocks to be used in manufacturing the feed. In a press release issued by your office, it was stated that the four States chosen to participate in the program was because they were the hardest hit by the drought, with at least 75 percent of the pasture and forage crops rated poor or very poor.

The data made available by NASS indicates pasture in South Dakota was rated 59 percent poor or very poor the week of April 8, 2003, when the new Livestock Feed Program was announced. Additionally, feed supplies and stock water supplies jumped from an average of 4.5 percent very short in 2002 to an average of 23.5 percent very short in 2003. Yet it appears data of this sort was not taken into consideration in determining how producers would be eligible for the new feed assistance program.

If the entire State of South Dakota was eligible for the 2002 Cattle Feed Program and little if any precipitation has fallen since then, how can you justify excluding over three-fourths of the State from the 2003 feed assistance program?

Answer. In mid-April, when criteria for the 2003 Nonfat Dry Milk Feed Program were established, the previous 6 months' moisture accumulation data was used, specifically the U.S. Drought Monitor. In order to best utilize the available surplus stocks of non-fat dry milk, only the areas suffering the most according to the monitor were determined eligible.

Question. Why did the Department choose a different drought data source (Drought Monitor) for the 2003 program, which excludes over three-fourths of the producers that had been eligible for the 2002 program?

Answer. This program was established early in the spring before there was any new growth of pasture. The other program was established in late summer after pasture losses were known. Therefore, the criteria based on the U.S. Drought Monitor were utilized.

Question. How does the Department plan on providing assistance to producers who have no feed source for 2003 but were excluded from this recently announced program?

Answer. Under the Nonfat Dry Milk Feed Program, conditions are monitored on a monthly basis, and the program will be available in areas of persisting drought and inadequate grazing due to the drought.

PUBLIC TV QUESTION

Question. Secretary Veneman, as you may know, public television stations are facing a Federal mandate to convert all of their analog transmission equipment to digital. The deadline for public television stations to make this conversion recently passed on May 1, 2003. 195 stations have filed with the FCC for extensions of the deadline. Of the stations that cited financial hardship as reason for a waiver, 70 percent of them serve predominately rural areas.

Last year, members of this committee recognized that public stations serving rural areas would experience financial hardship as one of the obstacles to meeting the Federally mandated deadline. To assist the stations, the committee included $15 million in the Distance Learning and Telemedicine program specifically to address these needs.

It is my understanding that the committee staff has recently met with both budget officers and attorneys in your department about fund for this purpose. Further, I understand that you agency has neglected to develop a plan for awarding these funds.

Can you explain the delay?

Madam Secretary, it is my understanding that the reason for the delay in awarding these funds is because your department does not feel that there is significant congressional direction to implement this program for public television.

I have read both the Senate report language as well as the Omnibus report language and I think that Congress was explicit in their intent to award these funds.

I might add that we put those funds in there for this specific purpose—to provide funding for rural public television stations.

Question. Secretary Venemen, can you explain why you are choosing to ignore a directive from this committee?

Answer. The 2003 Agriculture Appropriations Act provides $56,941,000 for the Distance Learning and Telemedicine Program. It specifically enumerates that $10 million of these funds are to be used for grants to support broadband transmission and local dial-up Internet services for rural areas. It is, however, silent concerning translators for digital conversions. There is language in the Senate Appropriations Committee Report and a reference in the Statement of Managers that accompanies the Conference Report that both sets out the $15 million and refers to conversion to digital translators.

Rural Development is aggressively seeking the implementation of a Notice of Funds Availability (NOFA) that would make this funding available this summer. The NOFA will outline funding parameters and set forth eligibility requirements to allow for the most equitable distribution of this grant funding.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

ANIMAL WELFARE

Question. In the Fiscal Year 2003 Omnibus Appropriations bill, $5 million was secured for the hiring of at least 50 new Humane Slaughter inspectors within the Food Safety Inspection Service (FSIS) at the United States Department of Agriculture (USDA). Report language in this bill instructed these new inspectors to work solely on the enforcement of the Humane Slaughter Act. Prior to the $1.25 million allocation in the fiscal year 2001 Supplemental Appropriation bill for the hiring of 17 District Veterinary Medical Specialists at FSIS to work solely on the enforcement of the Humane Slaughter Act, there were no inspectors employed exclusively for this purpose.

Due to the late date on which the Fiscal Year 2003 Omnibus Appropriations bill was signed into law, language in the bill permitted the funding for inspectors to be used into fiscal year 2004. However, it has recently come to light that it is not the intention of the USDA to hire at least 50 new Humane Slaughter Inspectors with the funding that has been provided. Instead, it is believed that the USDA plans on hiring only 15 inspectors in fiscal year 2003, then in fiscal year 2004 the USDA will retain these 15 inspectors while hiring an additional 20 inspectors. While the USDA may claim that this qualifies as the minimum of 50 inspectors they are required to hire, this does not coincide with the original intent of the law.

At this time, how many new Humane Slaughter Inspectors have been hired to work solely on the enforcement of the Humane Slaughter Act, funded through the $5 million provided for this purpose in the fiscal year 2003 Omnibus Appropriations bill? How many new inspectors will be hired by the end of fiscal year 2003?

Answer. FSIS continues to increase agency efforts to ensure that all field personnel understand their authorities and rigorously enforce the Humane Methods of Slaughter Act. FSIS has recently hired 215 new line inspectors trained in humane handling methods and at this time, the systemwide FSIS effort devoted to humane handling and slaughter inspection is equal to 63 FTEs. In fiscal year 2002, the comparable level of effort equaled 25 FTEs carrying out humane handling and slaughter inspection, so the agency has added 38 FTEs in fiscal year 2003. The agency expects that this number will continue to rise through fiscal year 2004 to meet and even exceed the requirement outlined in the fiscal year 2003 Omnibus Appropriations bill.

Question. When will the USDA complete securing no less than the 50 new Humane Slaughter inspectors as required by the fiscal year 2003 appropriations bill and what is the schedule for hiring these new inspectors?

Answer. The agency expects to meet the requirement in fiscal year 2004 and even exceed the requirement outlined in the fiscal year 2003 Omnibus Appropriations bill.

When determining the amount of funding necessary to employ 50 new Humane Slaughter Inspectors at the Food Safety Inspection Service, officials at the USDA requested the amount of $5 million, indicating that it would be preferable to employ veterinarians in these positions, thus affecting the amount of funding that was allocated for these inspectors.

Question. Are all of the new Humane Slaughter Inspectors, and those that have yet to be hired, veterinarians? If not, how many inspectors, above the 50 required by the fiscal year 2003 Omnibus Appropriations bill, are being hired?

Answer. In fiscal year 2003, FSIS has hired 215 new line inspectors trained in humane handling methods and the systemwide FSIS effort devoted to humane handling and slaughter inspection is equal to 63 FTEs. In fiscal year 2002, the comparable level of effort equaled 25 FTEs carrying out humane handling and slaughter inspection, so the agency will have 38 FTEs in fiscal year 2003. The agency expects that this number will continue to rise through fiscal year 2004 to meet and even exceed the requirement outlined in the fiscal year 2003 Omnibus Appropriations bill.

In addition to the 63 FTEs, FSIS veterinarians also conduct humane handling verification activities. FSIS' Veterinary Medical Officers (VMO) are assigned to all livestock slaughter facilities that also provide inspection oversight for humane handling and slaughter. FSIS employs 1,100 veterinarians, approximately 600 of which conduct on-going humane oversight verification duties in livestock plants.

In order to ensure that adequate funding is available to maintain no less than 50 Humane Slaughter Inspectors throughout fiscal year 2004, the future funding needs must be determined.

Question. Given that the $5 million provided in the fiscal year 2003 Omnibus Appropriations bill for no less than 50 new Humane Slaughter Inspectors has been made available through fiscal year 2004, will any additional funding be need to fulfill and maintain this requirement in fiscal year 2004? If so, how much funding is needed?

Answer. FSIS has adequate resources to continue increasing agency efforts to ensure that all field personnel understand their authorities and vigorously enforce the Humane Methods of Slaughter Act.

COMPETITIVE SOURCING

Question. The Office of Management and Budget (OMB) scores agencies on how well they comply with the President's Management Agenda. Agencies are encouraged to submit management plans to the OMB which incorporate the competitive sourcing quotas outlined in the President's budget. I understand that agencies within the Department of Agriculture are currently studying their workforces to find places where it would be appropriate for private contractors to take over agency functions.

One example relates to potential outsourcing of technical specialists (such as soil scientists and other conservation specialists) of the Natural Resources Conservation Service. These are the very people who are responsible for transferring public conservation policy to private landholders through what has been one of the most successful public-private partnerships in history.

Another example which many of my constituents are concerned about is the privatization effort within the U.S. Forest Service, but I believe this is an important issue for every agency in your Department. Regardless of the agency or the activity, the uncertainty and the employee level as to how agency outsourcing will evolve is having a horrific effect on morale. Given the loss of experienced agency personnel that will occur as a large number of employees reach retirement, we should be thinking of ways to retain experienced workers, not engage in practices which will erode their trust in personnel management.

It is my understanding (from OMB) that these competitive sourcing plans, once they are submitted to the OMB for approval, can be released to the public at the discretion of the agency heads. If the Congress is to appropriate substantial funding for private sector employment opportunities, I expect that you will first provide Congress, and in particular this Committee, with a copy of any management plan or competitive sourcing proposal that the Department of Agriculture submits to the OMB.

When do you expect to submit a management plan to the OMB, and how soon can you make that plan available to this Committee?

Answer. I submitted a competitive sourcing plan to OMB in May 2002. This plan represents USDA's initial starting point for competitive sourcing. The Department expects to update this plan over the next several months. I will submit a copy of our May 2002 plan for the record.

[The information follows.]

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., May 14, 2002.

Hon. MITCHELL E. DANIELS, JR.,
Director, Office of Management and Budget, Washington, D.C.

DEAR DIRECTOR DANIELS: On January 4, we provided you with a summary of the Department's plan to meet the Administration's competitive sourcing goal by September 2003. Enclosed is a detailed plan of the specific positions we intend to compete or convert as part of Phase I of our plan.

In addition, we are also now focusing on USDA-wide functions, including the structure and initiatives for county-based agencies. As we finalize the tasks, we will incorporate additional changes, as necessary, to our competitive.sourcing plans.

If you have any questions, please contact Edward R. McPherson, Chief Financial Officer, at (202) 720–5539.

Sincerely,

ANN M. VENEMAN,
Secretary.

U.S. Department of Agriculture
Commercial FAIR Act Inventory
Positions for Competitive Sourcing

Organization	Location	FTE	Function	Direct Conversion/ Cost Comparison (DC/CC)	Responsible Official Name	Responsible Official Number
Departmental Activities						
Departmental Administration			**B - Personnel Management**			
Departmental Administration	DC	3	Awards Admin	CC	Ray Fisher	202-720-3202
Departmental Administration	DC	3	Alternative Dispute Resolution	CC	Ray Fisher	202-720-3202
Departmental Administration	DC	2	Grievance Appeals	CC	Ray Fisher	202-720-3202
Departmental Administration	DC	5	Personnel Security Specialist	DC	Clifford Oliver	202-720-5711
Departmental Administration	DC	1	Personnel Security Administrative Aide	DC	Clifford Oliver	202-720-5711
			D - Regulatory and Program Management Support Services			
Departmental Administration	DC	1	Continuity of Operations Plan - Planner	DC	Clifford Oliver	202-720-5711
			Y - Other Selected Functions			
Departmental Administration	DC	8	Legal Techs	CC	Ray Fisher	202-720-3202
Departmental Administration	DC	6	Mail Clerks	DC	Ray Fisher	202-720-3202
Departmental Administration	DC	3	TBD	DC	Ray Fisher	202-720-3202
Total FTE - DA		**32**				
Office of the Chief Financial Officer			**C - Finance and Accounting**			
Office of the Chief Financial Officer	LA	30	Feeder system replacement (Telephone, Utilities, Federal Telephone System Payment)	DC		
Office of the Chief Financial Officer	LA	9	Claims processing related to outstanding administrative and program bills	DC	Steve Loeffelholz	504-255-6134
Office of the Chief Financial Officer	LA	3	Internal auditing of information systems	DC	Gary Millet	504-255-5220
Office of the Chief Financial Officer	LA	30	Reconciliation of agency cash balances for 6652 and 6653	CC	Ella Robertson	504-255-5761
			H - Health Services			
Office of the Chief Financial Officer	LA	2	Nursing function	DC	Donald Lewis	504-255-5624
			T - Other NonManufacturing Operations			
Office of the Chief Financial Officer	LA	2	Printing and reproduction of large volume documents	DC	Jules Leaumont	504-255-5322
Office of the Chief Financial Officer	LA	7	Visual information graphics support activities	CC	Jules Leaumont	504-255-5322

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Organization	Location	FTE	Function	Direct Conversion/ Cost Comparison (DC/CC)	Responsible Official Name	Responsible Official Number
			W - Automatic Data Processing			
Office of the Chief Financial Officer	LA	13	Seat management - internal desktop computing support	CC	Jerry Lohfink	504-255-5200
Office of the Chief Financial Officer	LA	2	Cyber security real-time monitoring of intrusion detection and related alerts	DC	Michael Zeringue	504-255-6756
Office of the Chief Financial Officer	LA	110	Data Center activities	CC	Jerry Lohfink	504-255-5200
			Y - Other Selected Functions			
Office of the Chief Financial Officer	LA	2	Records management activity in warehouse	DC	Debbie Byrne	504-255-5906
Total FTE - OCFO		**210**				
Office of the Chief Information Officer			**T - Other NonManufacturing Operations**			
Office of the Chief Information Officer	DC	1	Other Communications and Electronics	DC	Janet Guyer	816-926-2722
Office of the Chief Information Officer	DC	4	Administrative Support	DC	Janet Guyer	816-926-2722
Office of the Chief Information Officer	CO	2	Administrative Support	DC	Janet Guyer	816-926-2722
			W - Automatic Data Processing			
Office of the Chief Information Officer	CO	3	Administrative Support	DC	Janet Guyer	816-926-2722
Office of the Chief Information Officer	DC	2	Software Services	DC	Janet Guyer	816-926-2722
Office of the Chief Information Officer	DC	5	Seat Management Services	DC	Janet Guyer	816-926-2722
Office of the Chief Information Officer	DC	2	Other ADP Functions	DC	Janet Guyer	816-926-2722
Office of the Chief Information Officer	MO	6	Administrative Support	DC	Janet Guyer	816-926-2722
Office of the Chief Information Officer	MO	4	Data Center operations	DC	Janet Guyer	816-926-2722
Office of the Chief Information Officer	MO	3	Software Services	DC	Janet Guyer	816-926-2722
Office of the Chief Information Officer	MO	1	Other ADP Functions	DC	Janet Guyer	816-926-2722
Office of the Chief Information Officer	MO	2	Client services	DC	Janet Guyer	816-926-2722
Total FTE - OCIO		**35**				
Farm and Foreign Agriculture Service						
Foreign Agriculture Service			**D - Regulatory and Program Management Support Services**			
Foreign Agriculture Service	DC	9	Program Marketing and Outreach	CC	Ray Suehr	202-720-7349
Foreign Agriculture Service	Brussels, Belgium	1	Data Collection and Analysis	DC	Ray Suehr	202-720-7349
Foreign Agriculture Service	Buenos Aires, Argentina	1	Data Collection and Analysis	DC	Ray Suehr	202-720-7349
Foreign Agriculture Service	Paris, France	1	Data Collection and Analysis	DC	Ray Suehr	202-720-7349
Foreign Agriculture Service	Tokyo, Japan	1	Data Collection and Analysis	DC	Ray Suehr	202-720-7349
Foreign Agriculture Service	Lima, Peru	1	Data Collection and Analysis	DC	Ray Suehr	202-720-7349

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Organization	Location	FTE	Function	Direct Conversion/ Cost Comparison (DC/CC)	Responsible Official Name	Responsible Official Number
Foreign Agriculture Service	Stockholm, Sweden	1	Data Collection and Analysis	DC	Ray Suehr	202-720-7349
Foreign Agriculture Service	Hong Kong, China	1	Data Collection and Analysis	DC	Ray Suehr	202-720-7349
Foreign Agriculture Service	Hamburg, Germany	1	Data Collection and Analysis	DC	Ray Suehr	202-720-7349
Foreign Agriculture Service	Bangkok, Thailand	1	Data Collection and Analysis	DC	Ray Suehr	202-720-7349
Foreign Agriculture Service	Wellington, New Zealand	1	Data Collection and Analysis	DC	Ray Suehr	202-720-7349
Foreign Agriculture Service	Overseas, TBD	3	Data Collection and Analysis	DC	Ray Suehr	202-720-7349
			Y - Other Selected Functions			
Foreign Agriculture Service	DC	10	Public Affairs Program Activities and Operations	CC	Ray Suehr	202-720-7349
Total FTE - FAS		32				
Farm Service Agency			**C - Finance and Accounting**			
Farm Service Agency	MO	27	Finance and Accounting	CC	Ray Suehr	202-720-7349
Farm Service Agency	MO	35	Loan Processing and Services	CC	Ray Suehr	202-720-7349
			U - Education and Training			
Farm Service Agency	DC and MO	26	Education and Training	CC	Ray Suehr	202-720-7349
			W - Automatic Data Processing			
Farm Service Agency	DC and MO	92	Data Processing	CC	Ray Suehr	202-720-7349
Total FTE - FSA		180				
Risk Management Agency			**T - Other NonManufacturing Operations**			
Risk Management Agency	DC	18	Administrative Support Services	CC	Ray Suehr	202-720-7349
			S - Installation Services			
Risk Management Agency	MO	31	Financial and Payroll Services	CC	Ray Suehr	202-720-7349
			W - Automatic Data Processing			
Risk Management Agency	MO	26	Systems Design, Development and Programming Services	CC	Ray Suehr	202-720-7349
Total FTE - RMA		75				

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Organization	Location	FTE	Function	Direct Conversion/ Cost Comparison (DC/CC)	Responsible Official Name	Responsible Official Number
Food, Nutrition, and Consumer Services						
			D - Regulatory and Program Management Support Services			
Food, Nutrition, and Consumer Services	HQ, Regions, & Field Ofcs	86	Administrative Support	CC	Cherie Stallman	703-305-2232
Total FTE - FNS		**86**				
Marketing and Regulatory Programs						
Agricultural Marketing Service			**A - Recurring Testing and Inspection Services**			
Agricultural Marketing Service	TBD	15	Fruit & Vegetable Check Loaders	CC	Phyllis Towns	202-720-4693
Agricultural Marketing Service	CA	6	Inspection Equipment Technicians	CC	Phyllis Towns	202-720-4693
			T - Other Nonmanufacturing Operations			
Agricultural Marketing Service	TX, AL, AR, SC, GA, TN, AZ, LA, CA	51	Equipment Operator	CC	Norma McDill	202-720-3193
Agricultural Marketing Service	TN	3	Mechanical Engineer	CC	Norma McDill	202-720-3193
			Z - Maintenance, Repair, Alteration, and Minor Construction of Real Property			
Agricultural Marketing Service	TN	3	Grounds Maintenance	CC	Norma McDill	202-720-3193
Total FTE - AMS		**78**				
Animal & Plant Health Inspection Service			**U - Education and Training**			
Animal and Plant Health Inspection Service	IA	2	Training	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	FL	5	Training	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	MD	23	Training	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	NM	1	Training	TBD	Julie Cooper	301-734-7742
			W - Automatic Data Processing			
Animal and Plant Health Inspection Service	NY	6	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	AZ	3	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	CA	5	Information Technology	TBD	Julie Cooper	301-734-7742

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Organization	Location	FTE	Function	Direct Conversion/ Cost Comparison (DC/CC)	Responsible Official Name	Responsible Official Number
Animal and Plant Health Inspection Service	CO	31	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	DC	2	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	FL	2	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	GA	1	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	IA	10	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	KY	1	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	MA	1	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	MD	42	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	MI	1	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	MN	1	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	MS	1	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	NC	13	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	NY	2	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	OH	1	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	PR	1	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	SD	1	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	TX	8	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	MS	2	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	MT	1	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	OR	1	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	WA	1	Information Technology	TBD	Julie Cooper	301-734-7742
Animal and Plant Health Inspection Service	National	23	Administrative Support	DC	Julie Cooper	301-734-7742
Total FTE - APHIS		**190**				
Grain Inspection, Packers and Stockyards Administration						
Grain Inspection, Packers and Stockyards Administration	DC or MO	3	Information Technology	DC	John Good	202-720-5925
Total FTE - GIPSA		**3**				
Natural Resources and Environment						
Forest Service						
			E - Environment			
Forest Service	National	249	Environmental Planning - NEPA	CC	Tom Martin	703-605-0845
			R - Research, Development, Test, and Evaluation			
Forest Service	WI, WA, & OR	11	Building and grounds maintenance	DC	Tom Martin	703-605-0845

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Positions for Competitive Sourcing

Organization	Location	FTE	Function	Direct Conversion/ Cost Comparison (DC/CC)	Responsible Official Name	Responsible Official Number
			S - Installation Services			
Forest Service	National	478	Fire Readiness Resources	DC/CC	Tom Martin	703-605-0845
Forest Service	CA, AZ, NM	35	Motor Vehicle Operation	CC	Tom Martin	703-605-0845
Forest Service	CA, AZ, NM	49	Motor Vehicle Maintenance	CC	Tom Martin	703-605-0845
Forest Service	OR & WA	61	Fleet Management Services	CC	Tom Martin	703-605-0845
			T - Other Nonmanufacturing Operations			
Forest Service	National	1,465	National Forest Operations, temporary employees	DC/CC	Tom Martin	703-605-0845
Forest Service	MT,CA,UT	100	Road Construction	CC	Tom Martin	703-605-0845
Forest Service	CA	100	Enterprise Teams	CC	Tom Martin	703-605-0845
Forest Service	National	100	Service First Consolidated Funcitons	CC	Tom Martin	703-605-0845
			Z - Maintenance, Repair, Alteration, and Minor Construction of Real Property			
Forest Service	North East Region/State	21	Maintenance & Repair of Grounds	DC	Tom Martin	703-605-0845
Forest Service	CA	30	Maintenance & Minor Construction	CC	Tom Martin	703-605-0845
Forest Service	OR & WA	38	Minor Construction, Maintenance & Repair of Buildings	CC	Tom Martin	703-605-0845
Forest Service	MT, CA, UT	300	Road Maintenance	CC	Tom Martin	703-605-0845
Total FTE - FS		**3,035**				
Natural Resources Conservation Service			**S - Installation Services**			
Natural Resources Conservation Service	AL	1	Supply, Warehousing & Distribution Svcs Mgmt.	DC	Robert N. Jones	334-887-4500
Natural Resources Conservation Service	AR	1	Supply, Ware. & Dist. Svcs. Mgt	DC	Kalven L. Trice	501-301-3100
Natural Resources Conservation Service	MI	1	Supply, Ware. & Dist. Svcs. Mgt	DC	Ronald L. Williams	517-324-5270
Natural Resources Conservation Service	NE	1	Supply, Ware. & Dist. Svcs. Mgt	DC	Stephen K. Chick	402-437-5300
Natural Resources Conservation Service	NV	1	Supply, Ware. & Dist. Svcs. Mgt	DC	Nicholas N. Pearson	775-784-5863
Natural Resources Conservation Service	OH	1	Supply, Ware. & Dist. Svcs. Mgt	DC	J. Kevin Brown	614-255-2472
Natural Resources Conservation Service	PA	1	Supply, Ware. & Dist. Svcs. Mgt	DC	Robin E. Heard	717-237-2202
Natural Resources Conservation Service	TX	2	Supply, Ware. & Dist. Svcs. Mgt	DC	Carole Wyatt	817-509-3292
Natural Resources Conservation Service	TX	1	Supply, Ware. & Dist. Svcs. Mgt	DC	John P. Burt	254-742-9800
Natural Resources Conservation Service	VA	1	Supply, Ware. & Dist. Svcs. Mgt	DC	M. Denise Doetzer	804-287-1691
			T - Other Nonmanufacturing Operations			
Natural Resources Conservation Service	TX	55	Mapping and Charting	CC	Maurice Mausbach	202-690-4616
Natural Resources Conservation Service	CO	1	Administrative Support Services	DC	James Allen Green	303-236-2886
Natural Resources Conservation Service	DC	2	Admin. Support Services	DC	Gerlene Inman	202-720-4102
Natural Resources Conservation Service	GA	1	Admin. Support Services	DC	Leonard Jordan	706-546-2272
Natural Resources Conservation Service	HI	1	Admin. Support Services	DC	Kenneth M. Kaneshiro	808-541-2600
Natural Resources Conservation Service	KS	1	Admin. Support Services	DC	Leroy Ahlers	785-823-4565
Natural Resources Conservation Service	MD	1	Admin. Support Services	DC	David P. Doss	410-757-0861

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Organization	Location	FTE	Function	Direct Conversion/ Cost Comparison (DC/CC)	Responsible Official Name	Responsible Official Number
Natural Resources Conservation Service	MN	1	Admin. Support Services	DC	William Hunt	651/602-7856
Natural Resources Conservation Service	ND	1	Admin. Support Services	DC	Thomas E. Jewett	701-530-2000
Natural Resources Conservation Service	NE	1	Admin. Support Services	DC	Stephen K. Chick	402-437-5300
Natural Resources Conservation Service	NM	2	Admin. Support Services	DC	Rosendo Trevino III	505-761-4400
Natural Resources Conservation Service	NY	1	Admin. Support Services	DC	Adolfo Perez	315-477-6504
Natural Resources Conservation Service	TN	1	Admin. Support Services	DC	James W. Ford	615-736-5471
Natural Resources Conservation Service	TX	2	Admin. Support Services	DC	Carole Wyatt	817-500-3292
Natural Resources Conservation Service	TX	1	Admin. Support Services	DC	John P. Burt	254-742-9800
Natural Resources Conservation Service	AR, CA, CO, DC, ID, KS, KY, MA, MI ,MO, MS, NC, NE, NJ, NM, NY, OH, OK,	33	Geological Analysis	CC	Lawrence Clark	202-720-4630
Natural Resources Conservation Service	AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, MA, MD, ME, MI MN ,MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, PR, SC, SD, TN, TX, UT, VA, VT, WA, WI, WV, WY	98	Engineering Functions	CC	Lawrence Clark	202-720-4630
Natural Resources Conservation Service	AL	8	Soil Conservation Functions	DC	Robert N. Jones	334-887-4500
Natural Resources Conservation Service	AR	9	Soil Conservation Functions	DC	Kalven L. Trice	501-301-3100
Natural Resources Conservation Service	AZ	6	Soil Conservation Functions	DC	Michael Somerville	602-280-8808
Natural Resources Conservation Service	CA	12	Soil Conservation Functions	CC	Charles W. Bell	530-792-5600
Natural Resources Conservation Service	CO	14	Soil Conservation Functions	CC	James Allen Green	303-236-2886
Natural Resources Conservation Service	CT	3	Soil Conservation Functions	DC	Margo L. Wallace	860-871-4011
Natural Resources Conservation Service	DC	4	Soil Conservation Functions	DC	Thomas A. Weber	202-720-4527
Natural Resources Conservation Service	DE	1	Soil Conservation Functions	DC	Elesa K. Cottrell	302-678-4160
Natural Resources Conservation Service	FL	8	Soil Conservation Functions	DC	T. Niles Glasgow	352-338-9500
Natural Resources Conservation Service	GA	10	Soil Conservation Functions	DC	Leonard Jordan	706-546-2272
Natural Resources Conservation Service	HI	4	Soil Conservation Functions	DC	Kenneth M. Kaneshiro	808-541-2600
Natural Resources Conservation Service	IA	19	Soil Conservation Functions	CC	Leroy Brown	515-284-6655
Natural Resources Conservation Service	ID	7	Soil Conservation Functions	DC	Richard W. Sims	208-378-5700
Natural Resources Conservation Service	IL	17	Soil Conservation Functions	CC	William J. Gradle	217-353-6600
Natural Resources Conservation Service	IN	11	Soil Conservation Functions	CC	Jane E. Hardisty	317-290-3200
Natural Resources Conservation Service	KS	15	Soil Conservation Functions	CC	Leroy Ahlers	785-823-4565
Natural Resources Conservation Service	KY	8	Soil Conservation Functions	DC	David G. Sawyer	859-224-7350
Natural Resources Conservation Service	LA	9	Soil Conservation Functions	DC	Donald W. Gohmert	318-473-7751
Natural Resources Conservation Service	MA	2	Soil Conservation Functions	DC	Cecil B. Currin	413-253-4351
Natural Resources Conservation Service	MD	5	Soil Conservation Functions	DC	David P. Doss	410-757-0861
Natural Resources Conservation Service	ME	3	Soil Conservation Functions	DC	Russell A. Collett	207-990-9100
Natural Resources Conservation Service	MI	7	Soil Conservation Functions	DC	Ronald L. Williams	517-324-5270
Natural Resources Conservation Service	MN	9	Soil Conservation Functions	DC	William Hunt	651-602-7856
Natural Resources Conservation Service	MO	23	Soil Conservation Functions	CC	Roger A. Hansen	573-876-0901
Natural Resources Conservation Service	MS	13	Soil Conservation Functions	CC	Homer L. Wilkes	601-965-5205
Natural Resources Conservation Service	MT	14	Soil Conservation Functions	CC	Shirley Gammon	406-587-6811
Natural Resources Conservation Service	NC	8	Soil Conservation Functions	DC	Mary K. Combs	919-873-2101

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Natural Resources Conservation Service	ND	12	Soil Conservation Functions	CC	Thomas E. Jewett	701-530-2000
Natural Resources Conservation Service	NE	19	Soil Conservation Functions	CC	Stephen K. Chick	402-437-5300
Natural Resources Conservation Service	NH	1	Soil Conservation Functions	DC	Richard D. Babcock	603-868-7581
Natural Resources Conservation Service	NJ	4	Soil Conservation Functions	DC	Joseph R. DelVecchio	732-246-1171
Natural Resources Conservation Service	NM	7	Soil Conservation Functions	DC	Rosendo Trevino III	505-761-4400
Natural Resources Conservation Service	NV	3	Soil Conservation Functions	DC	Nicholas N. Pearson	775-784-5863
Natural Resources Conservation Service	NY	8	Soil Conservation Functions	DC	State Conservationist	315-477-6504
Natural Resources Conservation Service	OH	10	Soil Conservation Functions	DC	J. Kevin Brown	614-255-2472
Natural Resources Conservation Service	OK	13	Soil Conservation Functions	CC	M. Darrel Dominick	405-742-1204
Natural Resources Conservation Service	OR	10	Soil Conservation Functions	CC	Robert Graham	503-414-3200
Natural Resources Conservation Service	PA	7	Soil Conservation Functions	DC	Robin E. Heard	717-237-2202
Natural Resources Conservation Service	PR	3	Soil Conservation Functions	DC	Juan A. Martinez	787-766-5206
Natural Resources Conservation Service	SC	5	Soil Conservation Functions	DC	Walter W. Douglas	803-253-3935
Natural Resources Conservation Service	SD	8	Soil Conservation Functions	DC	Janet L. Oertly	605-352-1200
Natural Resources Conservation Service	TN	5	Soil Conservation Functions	DC	James W. Ford	615-736-5471
Natural Resources Conservation Service	TX	4	Soil Conservation Functions	DC	Tommy Parham	817-509-3420
Natural Resources Conservation Service	TX	36	Soil Conservation Functions	CC	John P. Burt	254-742-9800
Natural Resources Conservation Service	UT	6	Soil Conservation Functions	DC	Phillip J. Nelson	801-524-4550
Natural Resources Conservation Service	VA	9	Soil Conservation Functions	DC	M. Denise Doetzer	804-287-1691
Natural Resources Conservation Service	VT	3	Soil Conservation Functions	DC	Francis M. Keeler	802-951-6795
Natural Resources Conservation Service	WA	14	Soil Conservation Functions	CC	Raymond L. Hughbanks	509-323-2900
Natural Resources Conservation Service	WI	9	Soil Conservation Functions	DC	Patricia S. Leavenworth	608-276-8732
Natural Resources Conservation Service	WV	8	Soil Conservation Functions	DC	James L. Piper	304-284-7540
Natural Resources Conservation Service	WY	8	Soil Conservation Functions	DC	Lincoln E. Burton	307-261-6453
Natural Resources Conservation Service	AL	1	Administrative Support	DC	Robert N. Jones	334-887-4500
Natural Resources Conservation Service	AR	2	Administrative Support	DC	Kalven L. Trice	501-301-3100
Natural Resources Conservation Service	AZ	1	Administrative Support	DC	Michael Somerville	602-280-8808
Natural Resources Conservation Service	CA	2	Administrative Support	DC	Charles W. Bell	530-792-5600
Natural Resources Conservation Service	CO	1	Administrative Support	DC	James Allen Green	303-236-2886
Natural Resources Conservation Service	DC	9	Administrative Support	DC	Gerlene Inman	202-720-4102
Natural Resources Conservation Service	FL	1	Administrative Support	DC	T. Niles Glasgow	352-338-9500
Natural Resources Conservation Service	GA	2	Administrative Support	DC	Leonard Jordan	706-546-2272
Natural Resources Conservation Service	HI	1	Administrative Support	DC	Kenneth M. Kaneshiro	808/541-2600 x100
Natural Resources Conservation Service	IA	3	Administrative Support	DC	Leroy Brown	515-284-6655
Natural Resources Conservation Service	ID	1	Administrative Support	DC	Richard W. Sims	208-378-5700
Natural Resources Conservation Service	IL	1	Administrative Support	DC	William J. Gradie	217-353-6600
Natural Resources Conservation Service	IN	1	Administrative Support	DC	Jane E. Hardisty	317-290-3200
Natural Resources Conservation Service	KS	1	Administrative Support	DC	Leroy Ahlers	785-823-4565
Natural Resources Conservation Service	KY	1	Administrative Support	DC	David G. Sawyer	859-224-7350
Natural Resources Conservation Service	LA	1	Administrative Support	DC	Donald W. Gohmert	318-473-7751
Natural Resources Conservation Service	MD	1	Administrative Support	DC	David P. Doss	410-757-0861
Natural Resources Conservation Service	ME	1	Administrative Support	DC	Russell A. Collett	207-990-9100
Natural Resources Conservation Service	MN	1	Administrative Support	DC	William Hunt	651-602-7856
Natural Resources Conservation Service	MO	2	Administrative Support	DC	Roger A. Hansen	573-876-0901
Natural Resources Conservation Service	MS	2	Administrative Support	DC	Homer L. Wilkes	601-965-5205
Natural Resources Conservation Service	MT	1	Administrative Support	DC	Shirley Gammon	406-587-6811
Natural Resources Conservation Service	NC	1	Administrative Support	DC	Mary K. Combs	919-873-2101
Natural Resources Conservation Service	ND	1	Administrative Support	DC	Thomas E. Jewett	701-530-2000

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Natural Resources Conservation Service	NE	2	Administrative Support	DC	Stephen K. Chick	402-437-5300
Natural Resources Conservation Service	NM	1	Administrative Support	DC	Rosendo Trevino III	505-761-4400
Natural Resources Conservation Service	NY	1	Administrative Support	DC	Adolfo Perez	315-477-6504
Natural Resources Conservation Service	OH	1	Administrative Support	DC	J. Kevin Brown	614-255-2472
Natural Resources Conservation Service	OK	1	Administrative Support	DC	M. Darrel Dominick	405-742-1204
Natural Resources Conservation Service	OR	1	Administrative Support	DC	Robert Graham	503-414-3200
Natural Resources Conservation Service	PA	1	Administrative Support	DC	Robin E. Heard	717-237-2202
Natural Resources Conservation Service	SC	1	Administrative Support	DC	Walter W. Douglas	803-253-3935
Natural Resources Conservation Service	SD	1	Administrative Support	DC	Janet L. Oertly	605-352-1200
Natural Resources Conservation Service	TN	1	Administrative Support	DC	James W. Ford	615-736-5471
Natural Resources Conservation Service	TX	3	Administrative Support	DC	Tommy Parham	817-509-3420
Natural Resources Conservation Service	TX	2	Administrative Support	DC	John P. Burt	254-742-9800
Natural Resources Conservation Service	UT	1	Administrative Support	DC	Phillip J. Nelson	801-524-4550
Natural Resources Conservation Service	VA	1	Administrative Support	DC	M. Denise Doetzer	804-287-1691
Natural Resources Conservation Service	WA	1	Administrative Support	DC	Raymond L. Hughbanks	509-323-2900
Natural Resources Conservation Service	WI	1	Administrative Support	DC	Patricia S. Leavenworth	608-276-8732
Natural Resources Conservation Service	WV	1	Administrative Support	DC	James L. Piper	304-284-7540
			W - Automatic Data Processing			
Total FTE - NRCS		733				
Research, Economics and Education						
Agriculture Research Service			**B - Personnel Management**			
Agricultural Research Service	CA, DC, MD, MS	78	Personnel Administrative Support, Classification, Employee Development, Agency Equal Employment Opportunity Programs, Other Personnel Activities	CC	Larry Cullumber	301-504-1695
			G - Social Services			
Agricultural Research Service	DC, MD	112	Administrative Support, Librarian Services, Technical/Professional/Legal Library Information Services	CC	Larry Cullumber	301-504-1695
			L - Grants Management			
Agricultural Research Service	MD	1	Administrative Support, Application Reviews and Evaluations	CC	Larry Cullumber	301-504-1695

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Organization	Location	FTE	Function	Direct Conversion/ Cost Comparison (DC/CC)	Responsible Official Name	Responsible Official Number
			S - Installation Services			
Agricultural Research Service	AR, AZ, CA, CO, DC, FL, GA, HI, IA, ID, IL, KS, LA, MD, MS, MT, ND, NY, OK, OR, PR, SC, TX, WI, WV, WY	250	Admin. Support, Installation, Base or Facility Mgt, Bldg Mgt, Custodial Svc, Pest Mgt, Law Enforcement, Physical Security, Security Guard Ops, Motor Vehicle Ops and Maint, Electrical Plants and Systems Ops and Maint., Heating Plants and Distribution Systems Ops and Maint., Water Plants and Distribution Systems Ops and Maint, Sewage and Waste Plant and Distribution Systems Ops and Maint, A/C and Cold Storage Plant and Dist Systems Ops and Maint, Incinerator Plant and Sanitary Fill Ops, Building Svc, Plumbing Craft support svc, Security and Protection Svc, Other Utility Plant and Dist Systems Ops & Maint, Other Installation Svs.	CC	Larry Cullumber	301-504-1695
			T - Other Nonmanufacturing Operations			
Agricultural Research Service	CA, CO, DC, FL, GA, IL, LA, MD, MS, MT, ND, NE, PA, TX	62	Administrative Spt, Other Supply Activities, Real Prop. Disposal, Engineering and Tech. Svs, Preparation and Disposal of Excess and Surplus Prop, Admin Support Svc, Construction Mgt, Other Non-manufacturing Ops.	CC	Larry Cullumber	301-504-1695
			W - Automatic Data Processing			
Agricultural Research Service	AZ, CA, CO, DC, FL, GA, IA, ID, IL, IN, KS, MD, MS, MT, NE, OR, PA, SC, TX, WA	131	Admin Support, Mgt HQ Communication Computing and Information, Other Communications Systems, Computing Svc and Data Base Mgt, Other Computing Svc, Info Ops and Info Assurance/Safety, Other Info Ops Svc, Info Tech Mgt, Syst Design Development and Programming, Client Svc, Other ADP Functions.	CC	Larry Cullumber	301-504-1695
			Y - Other Selected Functions			
Agricultural Research Service	CA, CO, GA, IL, MD, MS, PA	56	Admin Support, Budget Execution Support Svc, Public Affairs Program Activities & Ops, Visual Info Program Activities & Ops, Other Functions	CC	Larry Cullumber	301-504-1695
			Z - Maintenance, Repair, Alteration, and Minor Construction of Real Property			
Agricultural Research Service	DC, MD, TX	24	Maintenance and Repair of Grounds & Surfaced Areas	CC	Larry Cullumber	301-504-1695
Total FTE - ARS		714				

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Organization	Location	FTE	Function	Direct Conversion/ Cost Comparison (DC/CC)	Responsible Official Name	Responsible Official Number
Cooperative State Research, Education, & Extension Service			**B - Personnel Management**			
Cooperative State Research, Education, and Extension Service	DC	7	Personnel Administrative Support, Classification, Employee Development, Agency Equal Employment Opportunity Programs, Other Personnel Activities	CC	Larry Cullumber	301-504-1695
			L - Grants Management			
Cooperative State Research, Education, and Extension Service	DC	33	Administrative Support, Application Reviews and Evaluations	CC	Larry Cullumber	301-504-1695
			W - Automatic Data Processing			
Cooperative State Research, Education, and Extension Service	DC	5	Admin Support, Mgt HQ Communication Computing and Information, Other Communications Systems, Computing Svc and Data Base Mgt, Other Computing Svc, Info Ops and Info Assurance/Safety, Other Info Ops Svc, Info Tech Mgt, Syst Design Development and Programming, Client Svc, Other ADP Functions.	CC	Larry Cullumber	301-504-1695
			Y - Other Selected Functions			
Cooperative State Research, Education, and Extension Service	DC	1	Admin Support, Budget Execution Support Svc, Public Affairs Program Activities & Ops, Visual Info Program Activities & Ops, Other Functions	CC	Larry Cullumber	301-504-1695
Total FTE - CSREES		46				
Economic Research Service			**T - Other Nonmanufacturing Operations**			
Economic Research Service	DC	1	Administrative Spt, Other Supply Activities, Real Prop. Disposal, Engineering and Tech. Svc, Preparation and Disposal of Excess and Surplus Prop, Admin Support Svc, Construction Mgt, Other Non-manufacturing Ops.	CC	Larry Cullumber	301-504-1695
			W - Automatic Data Processing			
Economic Research Service	DC	4	Admin Support, Mgt HQ Communication Computing and Information, Other Comm. Systems, Computing Svc and Data Base Mgt, Other Computing Svc, Info Ops & Info Assur./Safety, Other Info Ops Svc, Info Tech Mgt, Syst Design Development and Programming, Client Svc, Other ADP Functions.	CC	Larry Cullumber	301-504-1695

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Organization	Location	FTE	Function	Direct Conversion/ Cost Comparison (DC/CC)	Responsible Official Name	Responsible Official Number
			Y - Other Selected Functions			
Economic Research Service	DC	23	Admin Support, Budget Execution Support Svc, Public Affairs Program Activities & Ops, Visual Info Program Activities & Ops, Other Functions	CC	Larry Cullumber	301-504-1695
Total FTE - ERS		**28**				
National Agricultural Statistics Service			**B - Personnel Management**			
National Agricultural Statistics Service	DC	2	Personnel Administrative Support, Classification, Employee Development, Agency Equal Employment Opportunity Programs, Other Personnel Activities	CC	Larry Cullumber	301-504-1695
			W - Automatic Data Processing			
National Agricultural Statistics Service	DC	70	Admin Support, Mgt HQ Communication Computing and Information, Other Communications Systems, Computing Svc and Data Base Mgt, Other Computing Svc, Info Ops and Info Assurance/Safety, Other Info Ops Svc, Info Tech Mgt, Syst Design Development and Programming, Client Svc, Other ADP Functions.	CC	Larry Cullumber	301-504-1695
Total FTE - NASS		**72**				
Rural Development						
			B - Personnel Management			
Rural Development	DC	1	Employee Relations Support	CC	Neil Storms	202-401-9702
			C - Finance and Accounting			
Rural Development	MO	33	Accounts Receivable	CC	Patricia Gruenloh	314-206-2818
Rural Development	MO	14	Collections	CC	Christine Burgess	314-537-2360
Rural Development	MO	2	Administrative Support	CC	Christine Burgess	314-537-2360
			D - Regulatory and Program Management Support Services			
Rural Development	DC	0.5	Administrative Support	CC	Carl Muhlbauer	202-690-2141
Rural Development	MO	8	Administrative Reviews	CC	Patricia Gruenloh	314-206-2818

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Organization	Location	FTE	Function	Direct Conversion/ Cost Comparison (DC/CC)	Responsible Official Name	Responsible Official Number
			S - Installation Services			
Rural Development	DC	4	Other Installation Services	DC	Sharon Randolph	202-692-0207
Rural Development	MO	23	Debt Collection	CC	Patricia Gruenloh	314-206-2818
Rural Development	MO	1	Motor Vehicle Operation	DC	Sharon Randolph	202-692-0207
Rural Development	MO	2	Other Installation Services	DC	Sharon Randolph	202-692-0207
			T - Other Nonmanufacturing Operations			
Rural Development	DC	6	Administrative Support Services	CC	Carl Muhlbauer	202-690-2141
Rural Development	DC	1.5	Special Studies and Analysis	CC	Carl Muhlbauer	202-690-2141
Rural Development	DC	3	Administrative Support Services	DC	Sharon Randolph	202-692-0207
Rural Development	MO	31	Other Nonmanufacturing Operations	CC	Patricia Gruenloh	314-206-2818
Rural Development	MO	1	Visual Information	DC	Sharon Randolph	202-692-0207
Rural Development	MO	2	Administrative Support Services	DC	Sharon Randolph	202-692-0207
			U - Education and Training			
Rural Development	DC	2	Training Development and Support	CC	Neil Storms	202-401-9702
Rural Development	MO	1.5	Training Development and Support	CC	Neil Storms	202-401-9702
Rural Development	MO	2	Specialized Skill Training	CC	Neil Storms	202-401-9702
			W - Automatic Data Processing			
Rural Development	DC	1	Other ADP Functions	CC	Carl Muhlbauer	202-690-2141
Rural Development	DC	0.5	Other ADP Functions	DC	Sharon Randolph	202-692-0207
Rural Development	MO	11	Data Center Operations	CC	Christine Burgess	314-537-2360
Total FTE - RD		151				
Total USDA		5,700				

Question. Secretary Veneman, how do you intend to quantify the collective experience and expertise of the public employees in your Department when determining their "competitiveness" in this process?

Answer. We use the guidance and process in OMB's Circular A–76 when quantifying the experience and expertise of government employees in the competitive process. Circular A–76 requires that the government develop a Most Efficient Organization (MEO) to compete against private sector bidders. As part of that organization, the government develops a staffing plan, to include position descriptions that specify the level of expertise required to perform the work. If the government wins the competition, the new organization will be staffed from the personnel currently assigned within the organization.

Question. To the extent that the Administration intends to pursue a policy of outsourcing, why is that policy not limited to new hires, as current employees retire, so as to not erode the morale of current employees?

Answer. The Administration is pursuing a policy of competitive sourcing, not outsourcing. Where practicable, USDA has used and will continue to use current vacancies to minimize the impact of competitive sourcing on employees. However, limiting competitive sourcing only to vacancies could severely impact efforts to build better organizations across the department.

SUBCOMMITTEE RECESS

Senator BENNETT. Thank you for your persistence.

Madam Secretary, we appreciate your appearance here. We appreciate the work that you do, and that all of your team does. I know this process sometimes gets untidy, and you will get more questions in writing that will add to the untidiness. But we are grateful to you and your staff for your ability to straighten this all out, and in the end, give us a result and a product that we can understand where you are.

The subcommittee is recessed.

[Whereupon, at 12:28 p.m., Thursday, May 8, the subcommittee was recessed, to reconvene to subject to the call of the Chair.]