USDA Budget FY96-OMB Review

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THE WHITE HOUSE

WASHINGTON

November 16, 1994

MEMORANDUM FOR CAROL RASCO

FROM BRIAN BURKE

SUBJECT OMB DIRECTOR'S REVIEW OF THE DEPARTMENT OF AGRICULTURE

This memo outlines the budgetary highlights for the Department of Agriculture (USDA) FY 96.

I. Streamlining plan status

USDA did not meet its FTE reduction targets because allocations for emergency firefighters were not included in the target totals. The streamlining plan also does not meet the NPR goal of reducing headquarters staff by 50%. OMB says the USDA plan also provides no specifics on how streamlining will be achieved or how customer service will be affected. OMB has requested a revised streamlining plan that reflects the USDA reorganization bill.

II. Structure and performance of conservation programs

- **Soil Conservation Service (SCS)**

  SCS provides technical and cost share assistance to landowners for soil and water conservation purposes. In FY 96, SCS will provide assistance to land owners and units of government that own 65 million acres of land. The PAD recommendation is for an appropriation of $784 million, an increase of 8% over the FY 95 budget.

- **Agricultural Stabilization and Conservation Program (ASCS)**

  ASCS conservation programs include cost sharing and land retirement activities. The cost-share programs provide financial assistance to landowners to allow them to use conservation practices on their land. High priority programs, such as the Water Quality Incentives Program and Integrated Crop Management will by continued in FY 96. The land retirement programs include the Mandatory Wetlands Reserve Program and Conservation Program Reserve Program. The PAD recommended funding level is $60 million, a decrease of 46%.

- **Forest Service**

  The PAD recommendation for Forest Service funding is

$2.409 billion, up from $2.348 billion enacted for FY 95. The PAD recommended funding for individual Forest Service programs is:

- -Forest Research: $194 million (down 3%)
- -State and Private Forestry: $195 million (down 21%)
- -International Forestry: $10 million (up 43%)
- -National Forest System: $1.333 billion (down 1%)
- -Forest Service Firefighting: $398 million (up 3%)
- -Construction: $205 million (up 1%)
- -Land Acquisition: $65 million (unchanged)

- **Marketing and Inspection Services**

-Food Safety and Inspection Service (FSIS): $577 million (up 12%)

FSIS is starting to change its focus from sensory identification of meat to identification of microbial contamination and preventing contaminated meat from entering the processing chain. The PAD recommendation for FY 96 makes several proposals that will move in this direction. FSIS is also seeking additional compliance officers. FSIS inspectors increased in 1993 after a decline from 1991 to 1992.

-Animal and Plant Health Inspection Service (APHIS): $450 million (down 2%)

APHIS seeks to protect the nation's animals and plants from disease in order to ensure their marketability in this country and around the world. This includes port inspections and quarantines. APHIS is currently attempting to shift its focus from eradication of pests and disease to prevention of them. In order to meet this goal, more flexibility in the agency's budget is requested.

-Agricultural Marketing Service (AMS): $49 million (down 9%)

AMS carries out programs that facilitate the marketing of agricultural products and ensure fair trading practices. About 70% of the funds needed for these activities are derived from user fees. AMS has recently expanded its market data collection in international markets.

-Other agencies: $10.884 billion (down 53%)

These include the Packers and Stockyards Administration (P&SA), which administers the Packers and Stockyards Act. PS&A is moving to becoming a 100% user-financed program. The Administration also believes that the Federal Grain Inspection Service, which facilitates the marketing of grain, should be a user-financed program.

- **International Affairs, Crop Insurance and Commodities Programs**

  -Agricultural Stabilization and Conservation Service (ASCS): $657 million (down 8%)

  ASCS administers the crop price- and income-support programs of the Commodity Credit Corporation. Savings here come from restricting the Emergency Livestock Assistance Program to areas where reformed crop insurance policies are not available.

  -Federal Crop Insurance Corporation (FCIC): $89 million (up 29%)

  Under USDA reorganization, FCIC will be merged into the Farm Service Agency. FCIC provides subsidized crop insurance to farmers. The program was comprehensively reformed in FY 94. The farmers are now indemnified for a loss greater than 50% of normal production. The reform legislation also began a program of disaster assistance program for crops FCIC does not currently insure, such as fruits and vegetables.

  -Foreign Agricultural Service (FAS): $123 million (up 5%)

  FAS administers international trade promotion and export assistance programs for USDA. They work on trade negotiations, market development, administration of P.L. 480 and CCC's mandatory export loan guarantees and Export Enhancement program.

- **Research/Economics/Statistics Agencies**

  -Agricultural Research Service: $725 million (down 2%)
  -Cooperative State Research Service: $437 million (down 12%)
  -Extension Service: $445 million (down 3%)
  -other programs: $168 million (up 9%)

- **Central Administration Area**

  -Rental payment to GSA: $90 million (up 2%)
  -Facilities request: $66 million (up 129%)
  -info-share: $59 million (n/a)

  Info-share is a USDA initiative to improve the efficiency and customer service of USDA field offices through a new computer system that will cost $500 million over the next five years.

III. Discretionary issues facing USDA

- **Privatization of the Rural Telephone Bank (RTB)**

  The PAD recommends retiring 51% of the government-held Class A stock in FY 96. The RTB would be kept on budget until 100% of the Class A stock is retired, but RTB would be allowed to use its earnings from the liquidating account to finance new loans and/or retire Class A stock. The PAD believes that RTB is healthy enough to retire 51% of its Class A stock and use its earnings to become a viable private entity.

  The other option is to retire the statutory minimum amount of Class A stock in FY 96 and the outyears, resulting in a 51% retirement by 2030.

- **Allocation of FTEs to USDA for provision of major administrative support services**

  The PAD recommends that 120 FTE be allocated to USDA over the next 4 years for the Thrift Savings Plan employee loan processing, with a central "bank" of FTE for USDA to use for uncontrollable growth in service demands to be considered at a later time.

  Other options include creating a central bank now, requiring USDA to renegotiate FTE allocations annually, and requiring USDA to absorb increases in service requirements through efficiencies.

IV. Meeting the Administration's GATT commitments for USDA spending on U.S. agriculture

On September 30, the Administration committed to spend an additional $600 million on GATT-permissible ("greenbox") agriculture programs over the next five years. OMB sees a $166 million offset for this spending from recently enacted crop insurance reform. The Administration also agreed to maintain total discretionary spending on USDA agricultural programs at or above the FY 95 level in the FY 96 and FY 97 budget requests. Charts in the full document (pp. A-50 and 51) illustrate that the NRES PAD recommendation for USDA in FY 96 meets this commitment. Increased funding for the Export Enhancement Program is viewed by some as a part of this commitment. NRD is exploring the use of crop insurance savings for this purpose.

V. Assessment of financial management activities at USDA

For the first time since passage of the CFO's Act, USDA's

CFO addresses problems in the customer service and financial management systems. This includes recognition that financial management should be customer-oriented, have strong emphasis on creation of an effective financial management community, have managerial accountability supported by timely and accurate financial information, and have a single integrated financial system.

VI. Food and consumer services

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

  The PAD recommends $3.820 billion, a $350 million increase over FY 95, but a $94 million reduction from the agency request.

- **Commodity Supplemental Food Program (CSFP)**

  The PAD recommends $86 million for FY 96. This is a $6 million decrease reduction from FY 95, but a $38 million increase over the agency request.

- **Food donations for selected groups**

  The PAD recommends adopting the agency request of $310 million, which is consistent with guidance and $22 million over FY 95.

- **Food Program Administration**

  The PAD concurs with the agency recommendation of $117 million, an $11 million increase, with $5 million for ADP investment and $6 million for increased administrative costs.

- **Nutrition Promotion Program**

  The PAD recommends $2 million, a reduction from the $15 million agency request.

- **Child Nutrition Discretionary**

  The PAD recommends $28 million, a reduction from the $32 million agency request. The PAD does recommend providing a $7 million increase in Dietary Guidelines for technical assistance.

- **Food Stamps Discretionary**

  The PAD recommends $7 million, a $15 million reduction from the agency request and $12 million below FY 95. This is due to the PAD recommendation not to fund the Nutrition Communication Initiative. This is because there will be a broader approach to this issue developed during Farm Bill initiatives.

- **Agricultural Marketing Service**

  The PAD recommendation is for $0, as opposed to the $50 million request by USDA. The FY 95 Agriculture Appropriations bill provides for an FY 96 advance appropriation to purchase $50 million worth of export subsidies. If there must be continued funding for this program, HRD recommends funding it through the Farm Bill with mandatory spending rather than discretionary.

VII. Other USDA issues

- **Funding for WIC and related issues**

  The PAD recommends a $350 million increase for FY 96 and 97. The PAD recommends establishing FY 97 as the full funding goal in light of estimates of increased participation at full funding.

  The other options are: (1) a $444 million increase for FY 96, which might enable WIC to reach full funding by the end of FY 96, or (2) a $300 million increase to maintain likely end-of-95 caseload and propose mandatory funding for increases above that level.

FY 1996
Director's Review

U.S. Department of Agriculture

Natural Resources Division
and
Human Resources Division

November 1994

11/2/94

DEPARTMENT OF AGRICULTURE
FY 1996 DIRECTOR'S DISCRETIONARY PROGRAM REVIEW
TABLE OF CONTENTS

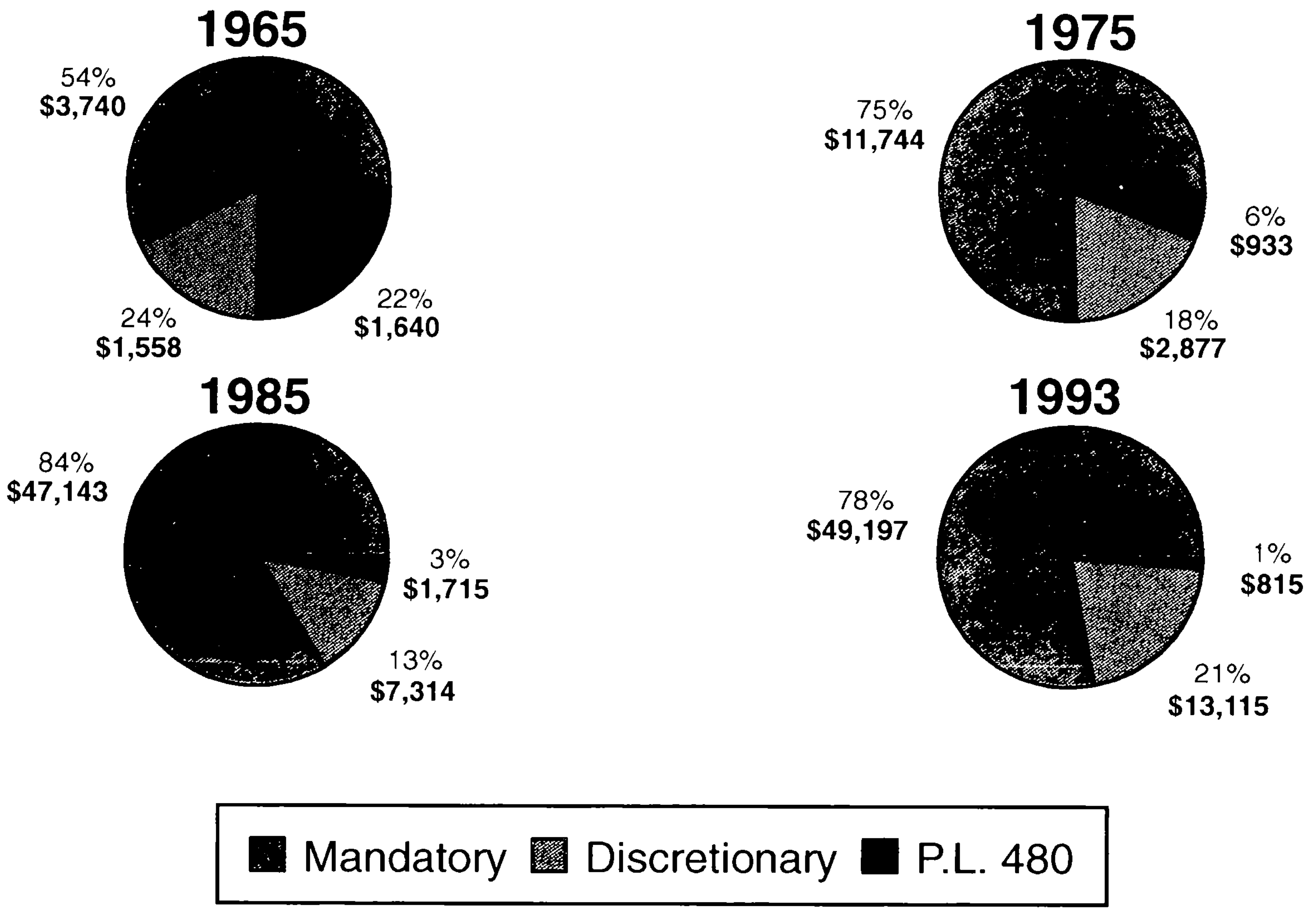
AGENCY SUMMARY
DEPARTMENT OF AGRICULTURE
(Excluding P.L. 480)
(in millions of dollars)

	FY 1993 BA	FY 1993 OL	FY 1994 BA	FY 1994 OL	FY 1995 BA	FY 1995 OL	FY 1996 BA	FY 1996 OL
DISCRETIONARY								
FY 1993 Actual/FY 1994 Actual/FY 1995 Enacted:								
NRD	10,564	9,642	10,879	10,640	9,640	10,013		
HRD	3,494	3,473	3,876	3,870	4,013	4,027		
TOTAL	14,058	13,115	14,755	14,510	13,653	14,040	N/A	N/A
April 21st Planning Guidance								
NRD							10,273	10,213
HRD							3,927	3,987
TOTAL							14,200	14,200
FY 1996 Agency Request:								
NRD							11,154	10,387
HRD (Includes an additional $512 million for WIC)							4,513	4,582
TOTAL							15,667	14,969
FY 1996 PAD Recommended Level:								
NRD							10,506	10,213
HRD							4,370	4,417
TOTAL							14,875	14,630
Percentage Change from:								
FY 1993 Actual							5.8%	11.6%
FY 1994 Actual							0.8%	0.8%
FY 1995 Enacted							9.0%	4.2%
April 21st Planning Guidance							4.8%	3.0%
Agency Request							-5.0%	-2.3%

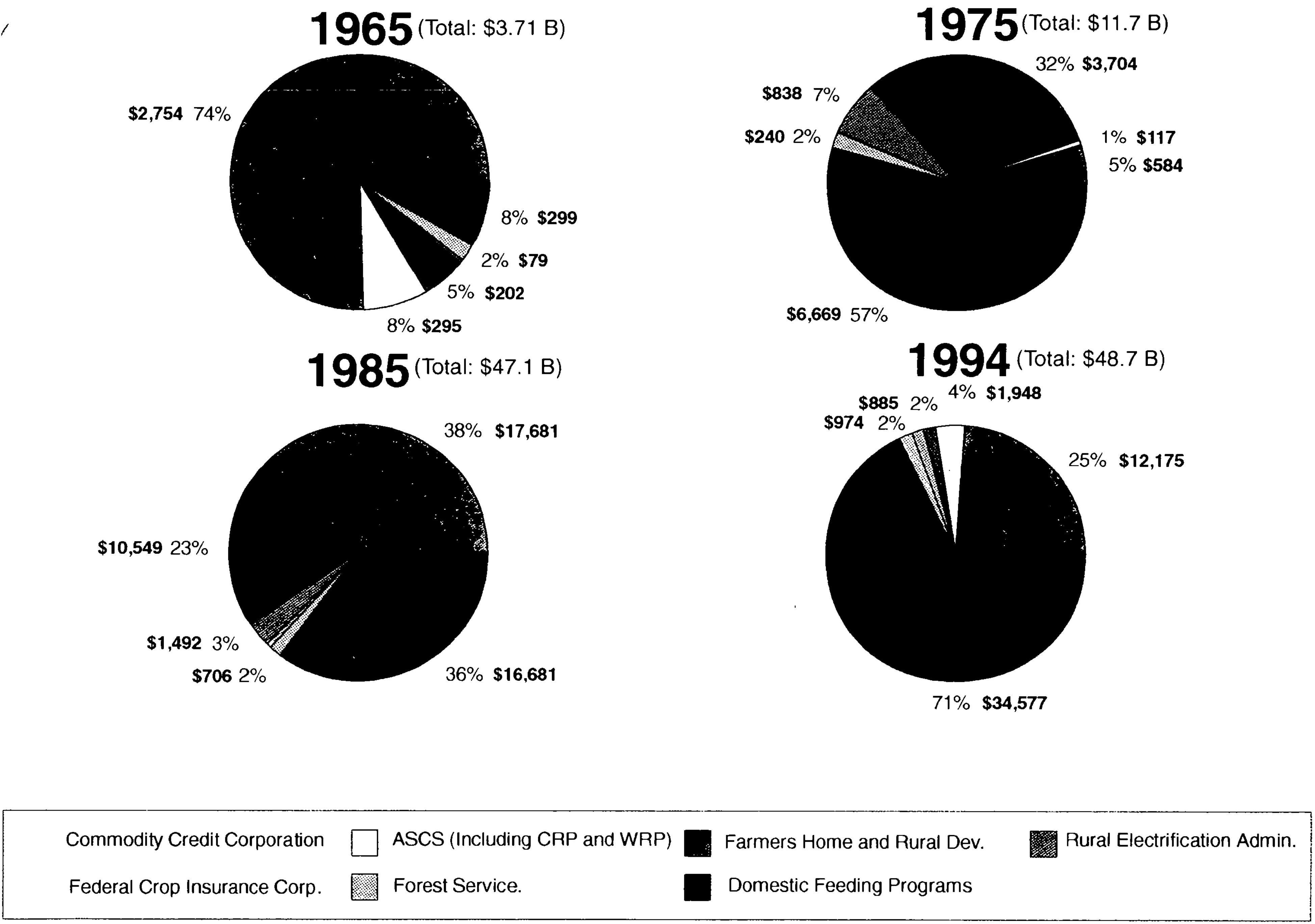
AGENCY SUMMARY
DEPARTMENT OF AGRICULTURE
(Excluding P.L. 480)
(in millions of dollars)

	FY 1993 BA	FY 1993 OL	FY 1994 BA	FY 1994 OL	FY 1995 BA	FY 1995 OL	FY 1996 BA	FY 1996 OL
MANDATORY								
FY 1993 Actual/FY 1994 Actual/FY 1995 Enacted:								
NRD	17,257	17,415	13,258	14,535	10,372	11,180		
HRD	35,615	31,782	36,165	34,362	36,731	34,481		
TOTAL	52,872	49,197	49,423	48,897	47,103	45,661	N/A	N/A
FY 1996 Agency Request::								
NRD							10,201	10,200
HRD							38,432	36,116
TOTAL							48,633	46,316
FY 1996 PAD Recommended Level:								
NRD							10,201	10,200
HRD							38,432	36,116
TOTAL							48,633	46,316
AGENCY TOTAL								
FY 1993 Actual/FY 1994 Actual/FY 1995 Enacted:								
NRD	27,821	27,057	24,137	25,174	20,012	21,193		
HRD	39,109	35,255	40,041	38,232	40,744	38,508		
TOTAL	66,930	62,311	64,178	63,407	60,756	59,702	N/A	N/A
FY 1996 Agency Request:								
NRD							21,355	20,587
HRD							42,945	40,698
TOTAL							64,300	61,285
FY 1996 PAD Recommended Level:								
NRD							20,707	20,413
HRD							42,802	40,533
TOTAL							63,508	60,946

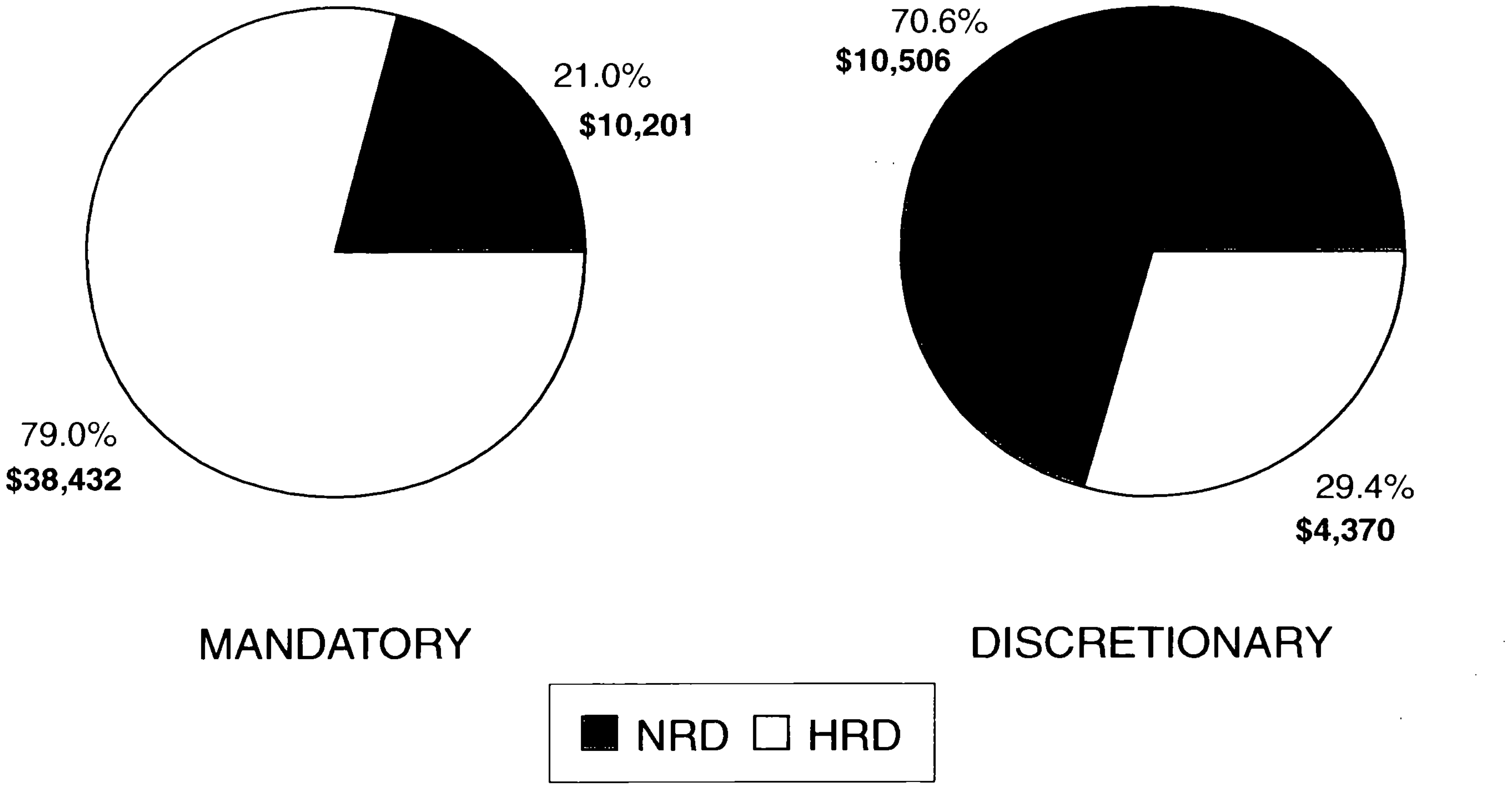
U.S. DEPARTMENT OF AGRICULTURE
HISTORICAL SPLIT OF OUTLAYS
($ in millions)

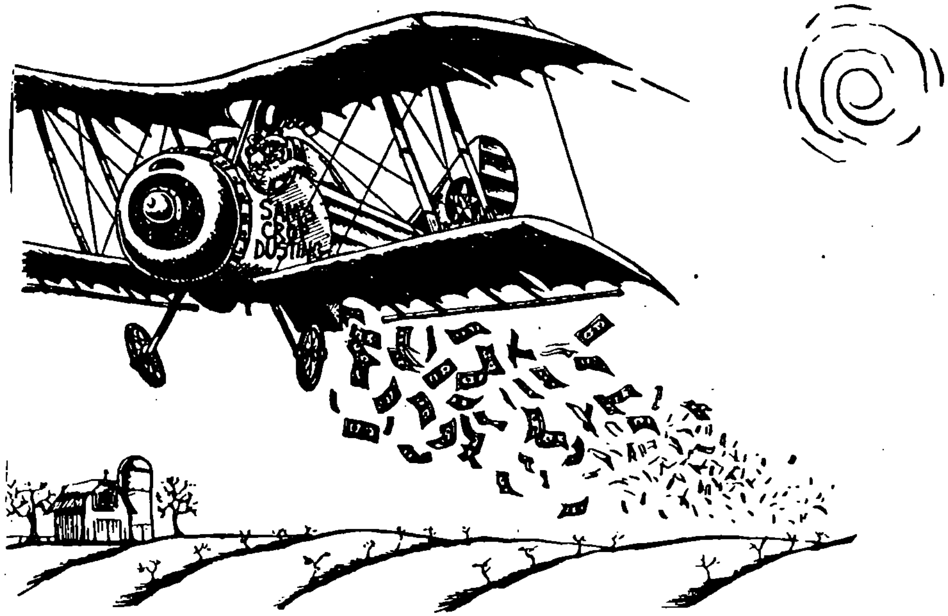


USDA MANDATORY OUTLAYS
($ in millions)



U.S. DEPARTMENT OF AGRICULTURE
Natural Resources Division/Human Resources Division
FY 1996 PAD Recomendation
($ in millions)





BY DER FOR THE GREENVILLE NEWS

STREAMLINING PLAN STATUS
FTE SUMMARY
DEPARTMENT OF AGRICULTURE
(FTEs in thousands)

	FY1993	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999
FY 1993/94/95 FTE..........	113.4	109.8	109.3				
FY 1996 Budget Request..........................				109.3	108.0	106.0	103.1
Planning Guidance..........................			109.4	108.3	106.4	104.4	101.4
PAD Recommendation..........................			108.9	107.9	106.4	104.4	101.4
Streamlining Plan..........................			111.3	109.3	108.0	106.0	103.1
Buyouts Planned..........................			2,360.0				
Difference between Budget Request and:							
Planning Guidance..............................				1.0	1.6	1.6	1.7
PAD Recommendation..............................				1.4	1.6	1.6	1.7

Explanation: The Department of Agriculture did not include FTE's for emergency firefighters in either its request or streamlining proposal. The current estimate for these FTE's is 1,400. The USDA estimates for both its budget request and streamlining proposal have been adjusted upward by that amount in each year. In addition, the USDA request includes FTE's to operate the Thrift Savings Plan, for which USDA would like ceiling relief. Its estimate for these FTE's in FY 1995 and FY 1996 are 264 and 281 respectively, increasing to 340 by FY 1999(see issue paper.) The PAD recommendation would reduce FTE's in FY 1996 below guidance, consistent with greater field office efficiencies, and would hold USDA at guidance levels in the outyears. FY 1995 FTE include supportable levels for actual and PAD recommended columns. NOTE: For FY 1995, we estimate that supportable FTE will be 1100 less than the budget request, because FmHA and SCS appropriations are not sufficient to fund their FTE allowances.

STREAMLINING PLAN STATUS
SUMMARY ASSESSMENT
DEPARTMENT OF AGRICULTURE

SUMMARY ASSESSMENT:

- Streamlining plan does not meet overall FTE reduction targets because emergency firefighters were not included in original targets or current report. Also USDA objects to absorption of workload associated with support of the Thrift Savings Plan that it administers for all agencies.

- Streamlining plan does not meet NPR goals for reduction of headquarters offices by 50 percent nor does it meet goals for reduction of administrative personnel.

- Streamlining plan does not provide many specifics on how streamlining will be achieved or how customer service will be affected.

STATUS:

- OMB has requested a revised streamlining plan reflecting enactment of the USDA reorganization bill.

- Asked USDA to analyze the effects and alternatives of administrative support and headquarters cuts and provide those specifics in the revised plan.

- Asked USDA to tentatively "price" the savings resulting from major initiatives such as procurement reform and information management. These savings will be reported in the revised plan.

- Asked USDA to link planned buyouts during FY 1995 to anticipated effects on customer service and program mission, in their revised plan.

KEY FEATURES OF PLANS AND DISCUSSION:

- The current USDA streamlining plan before OMB relies heavily on reorganization of field offices for savings before FY 1998. Since the reorganization bill was pending at the time the latest plan was prepared, the plan included sketchy information on how reductions would be achieved without sacrificing customer service. USDA did not appear serious about streamlining prior to the October 13,1994, passage of the bill.

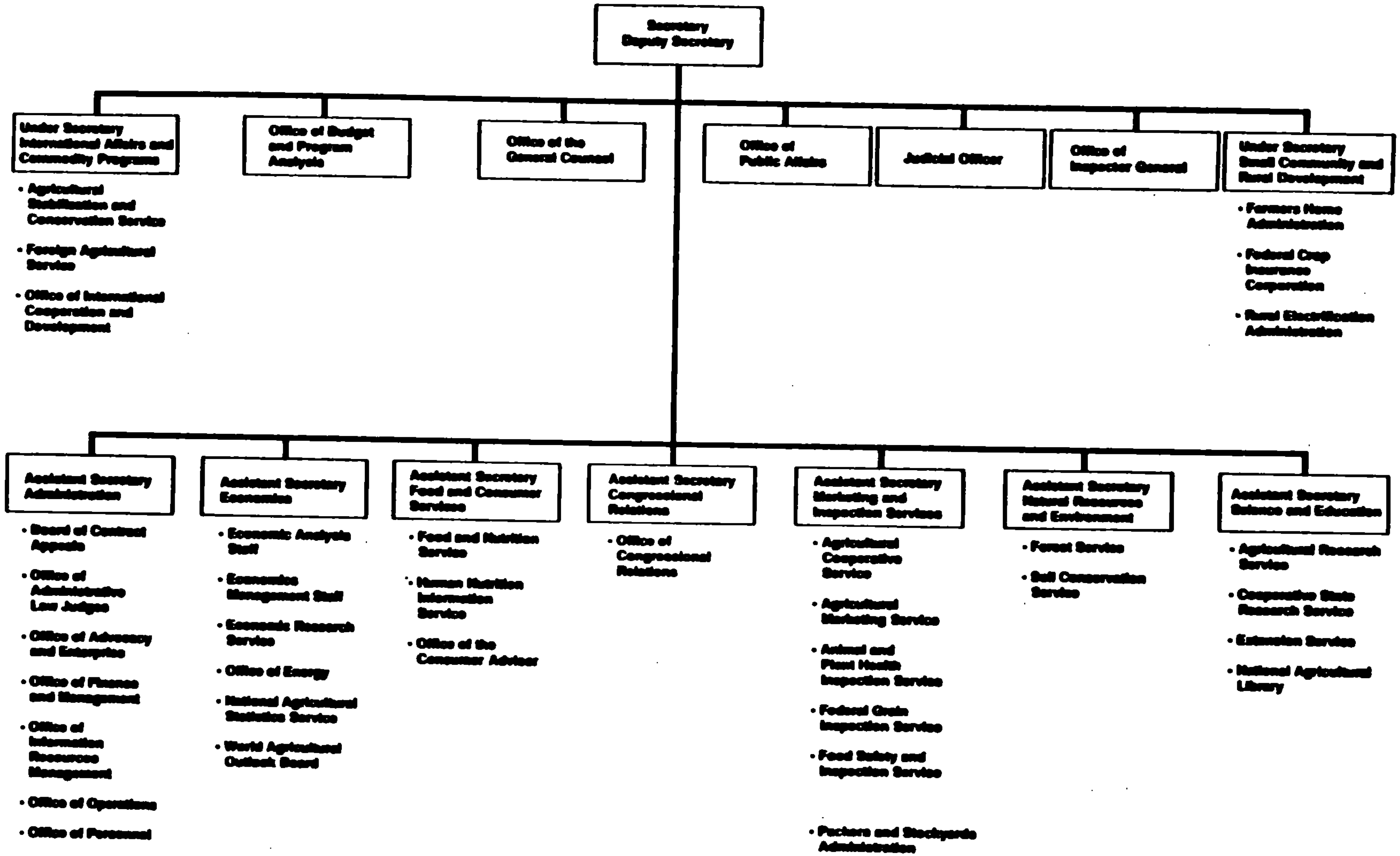
- Other areas of emphasis include information management and procurement reform. While strides have been made in these areas, no direct linkages to FTE reductions were included in the report, nor were specific plans to implement improved purchasing practices or a mechanism to centrally manage information outlined.

- Almost all bureaus resisted the 50 percent cut in "headquarters operations". While general arguments were made against this target, they were not compelling nor were many specific problems reported. There is no evidence that the effects of administrative and headquarters reductions were seriously analyzed.

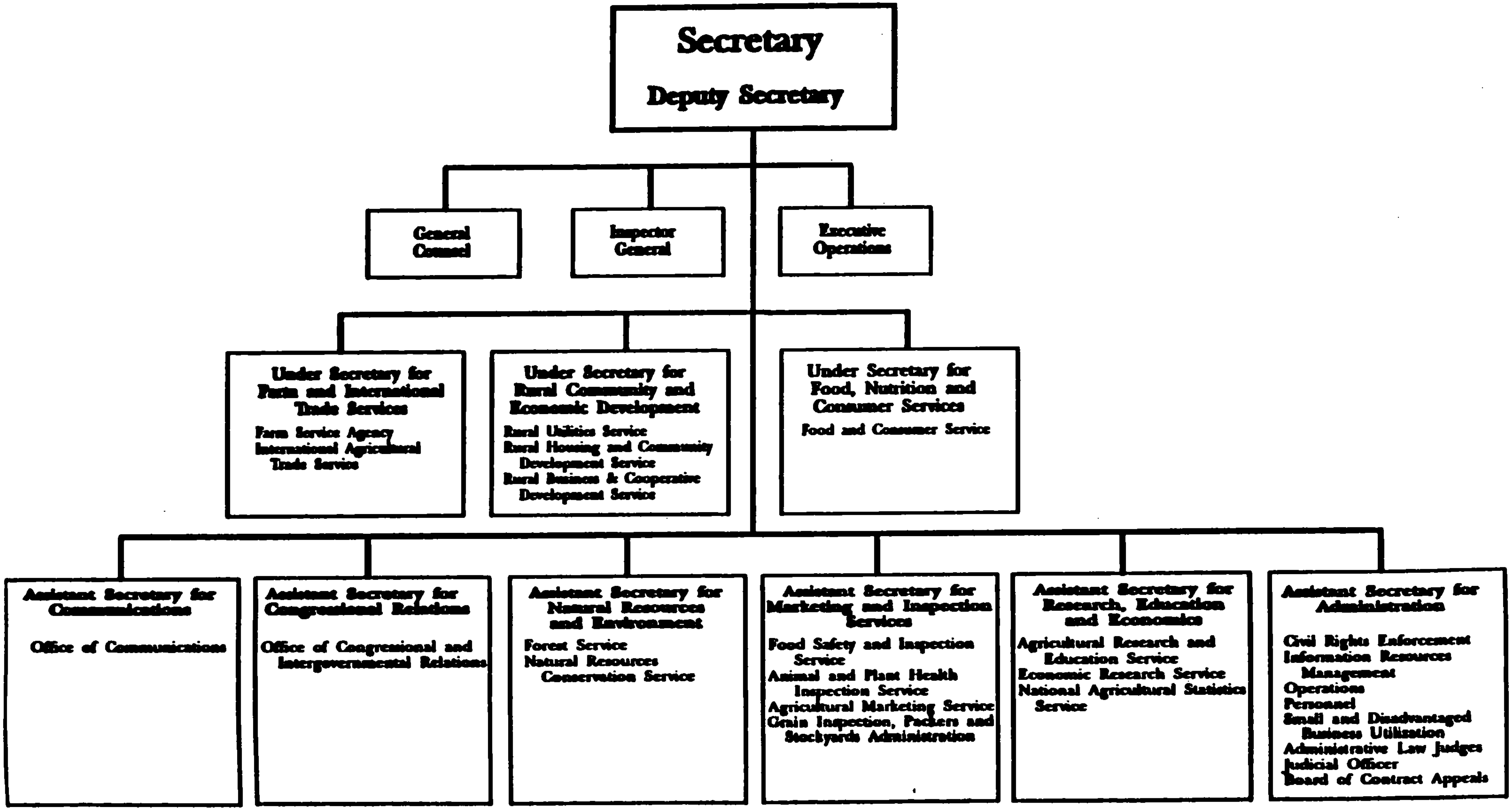
- The Forest Service seems furthest along in their streamlining analysis, including redirection of resources due to "Ecomanagement" studies and creation of self-directed work teams by specific training plans. Self-directed work is a major tool to downsize supervisory levels. However, analysis of administrative support needs improvement. Significant redirection of work was also reported in Inspection Service plans by reducing supervision and overhead to hire more inspectors.

- The USDA plan provided for combining administrative support units at the UnderSecretary level, rather than the bureau level, so that all bureaus under a given area would be serviced by one entity. Details were sketchy, but the concept is worthy of further development.

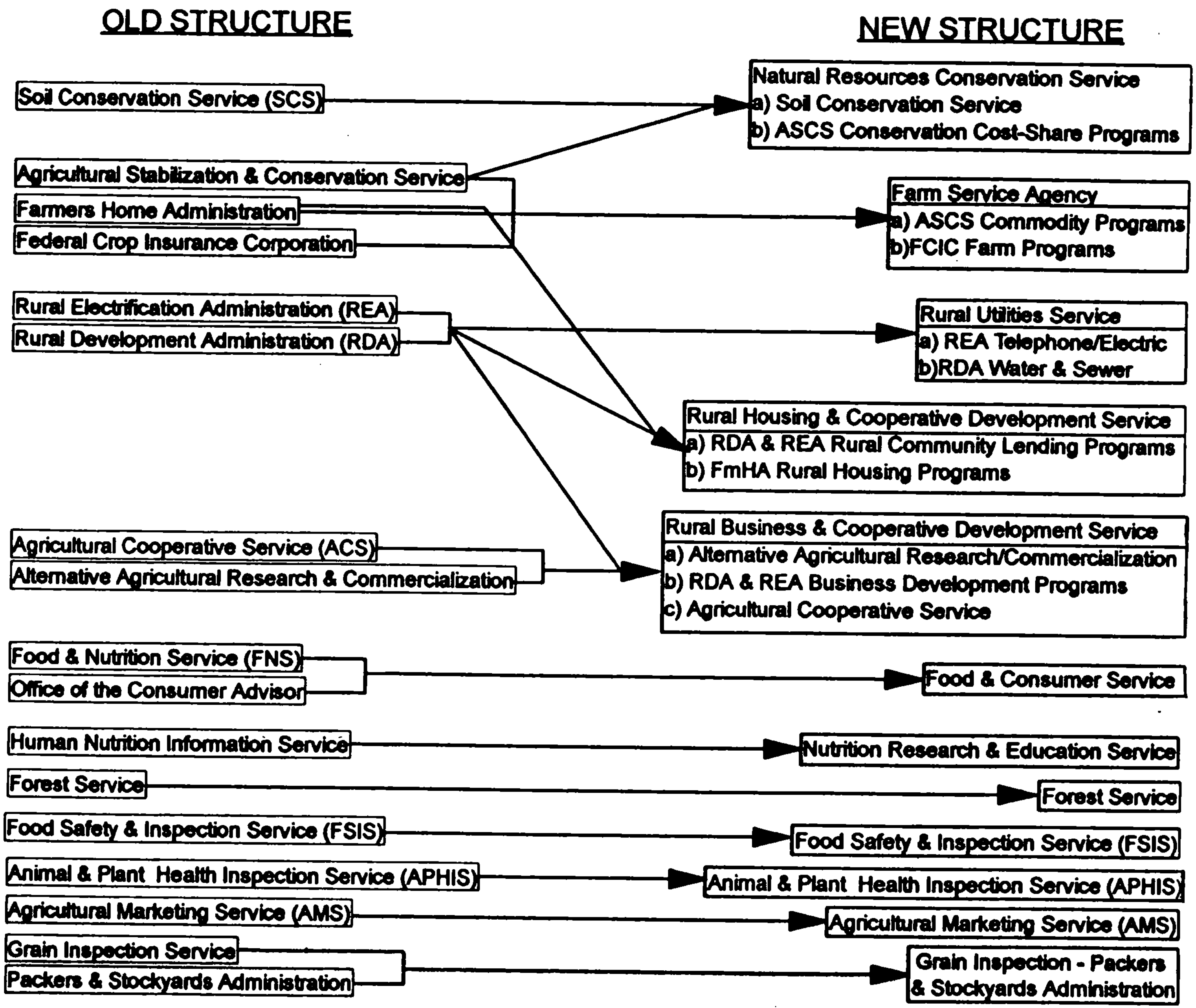
U.S. Department of Agriculture
Prior Organization

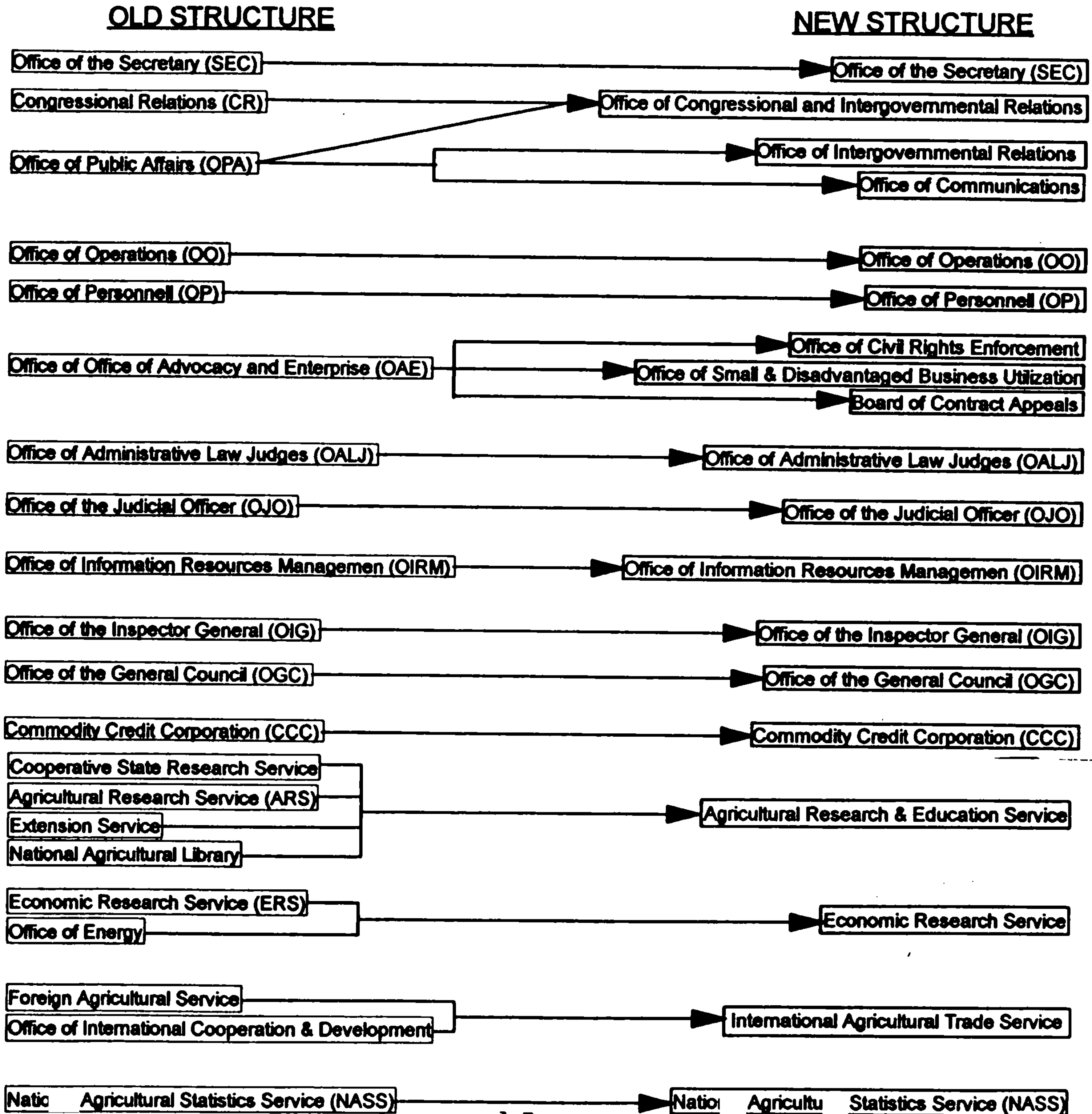


U.S. Department of Agriculture
New Organization as of October 1994



ADMINISTRATION'S USDA REORGANIZATION PROPOSAL



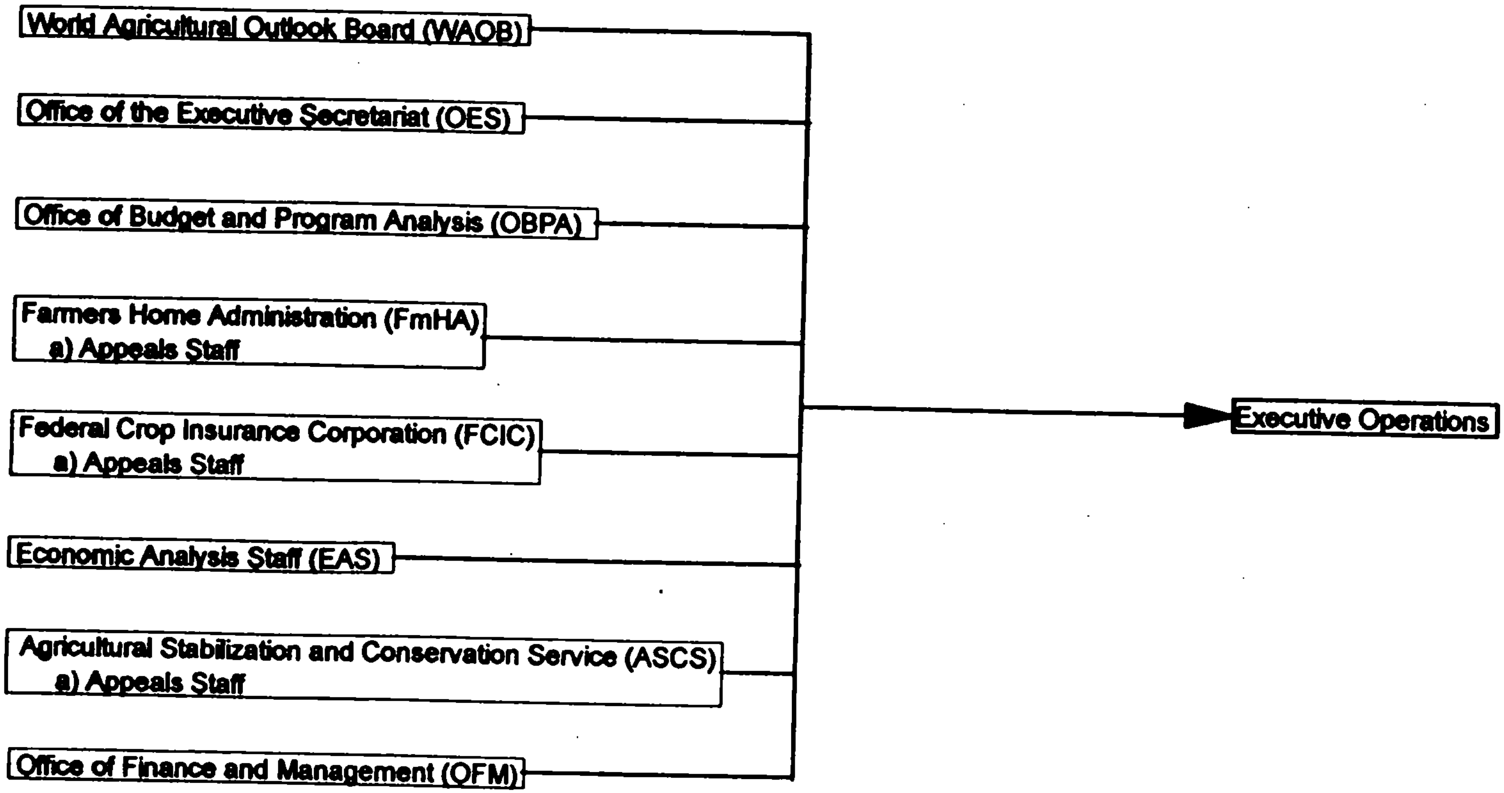

OLD STRUCTURE
NEW STRUCTURE
Office of the Secretary (SEC)
Congressional Relations (CR)
Office of Public Affairs (OPA)
Office of Operations (OO)
Office of Personnel (OP)
Office of Office of Advocacy and Enterprise (OAE)
Office of Administrative Law Judges (OALJ)
Office of the Judicial Officer (OJO)
Office of Information Resources Managemen (OIRM)
Office of the Inspector General (OIG)
Office of the General Council (OGC)
Commodity Credit Corporation (CCC)
Cooperative State Research Service
Agricultural Research Service (ARS)
Extension Service
National Agricultural Library
Economic Research Service (ERS)
Office of Energy
Foreign Agricultural Service
Office of International Cooperation & Development
Natic Agricultural Statistics Service (NASS)
Office of the Secretary (SEC)
Office of Congressional and Intergovernmental Relations
Office of Intergovernmental Relations
Office of Communications
Office of Operations (OO)
Office of Personnel (OP)
Office of Civil Rights Enforcement
Office of Small & Disadvantaged Business Utilization
Board of Contract Appeals
Office of Administrative Law Judges (OALJ)
Office of the Judicial Officer (OJO)
Office of Information Resources Managemen (OIRM)
Office of the Inspector General (OIG)
Office of the General Council (OGC)
Commodity Credit Corporation (CCC)
Agricultural Research & Education Service
Economic Research Service
International Agricultural Trade Service
Natio Agricultu Statistics Service (NASS)

ADMINISTRATION'S USDA REORGANIZATION PROPOSAL

EXECUTIVE OPERATIONS

OLD STRUCTURE

NEW STRUCTURE



STREAMLINING PLANS: NPR TARGET POPULATIONS
DEPARTMENT OF AGRICULTURE
(FTEs in thousands)

	FY 1993 Actual	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999
Total FTES 1/..................	113.4	109.8	109.3	109.3	108.0	106.0	103.1
Number of Positions:							
Supervisors..................	13.2	12.3	11.1	10.4	9.6	8.8	8.3
Supervisory Ratio............	1:8	1:8	1:9	1:9	1:10	1:11	1:11
Headquarters Staff...........	22.1	21.8	21.1	20.6	20.5	19.7	19.1
Personnel Specialists........	2.7	2.6	2.6	2.5	2.4	2.4	2.3
Budget Specialists...........	2.0	2.0	1.9	1.9	1.9	1.8	1.8
Acquisition Specialists......	2.5	2.5	2.4	2.4	2.3	2.3	2.2
Accountants and Auditors.....	3.3	3.2	3.1	3.1	3.0	2.9	2.8
Organizational Layers........	Not Reported-- Has no meaning at Dept. level since large and small bureaus have different numbers of layers in their organizations.						

1/ Includes FTE's for Forest Service firefighters, which were not included in USDA streamlining plan.

PROGRAM STRUCTURE AND PERFORMANCE
SMALL COMMUNITY AND RURAL DEVELOPMENT
(in millions of dollars)

		FY 1993	FY 1994	FY 1995		FY 1996			
		Actual	Actual	President's Request (FY 95Bud)	Enacted	President's Request (FY 95Bud	Agency Request	PAD Recom.	Recom. less Request
Small Community and Rural Development....................................	BA	2,961	3,043	2,827	2,734	2,945	3,587	3,163	(424)
	OL	2,134	2,759	2,666	2,627	2,688	2,775	2,704	(71)

Description of Programs
(PAD Rec., % change from enacted)

Rural Utilities Service:
$1,032
(+35%)

New agency created under the USDA reorganization. Agency includes the electric and telephone loan programs formerly administered by the Rural Electrification Administration and the water and wastewater loan and grant programs formerly administered by the Rural Development Administration.

Electric loans are made to rural cooperatives that distribute and generate electricity. Distribution cooperatives are eligible for hardship loans (5% borrower rate) and for a muncipal rate loan (between Treasury and 5%) depending on the cooperatives' financial condition and the number of subscribers per mile it serves. Generation and transmission cooperatives are eligible for loans bearing an interest rate equal to the Treasury rate of comparable maturity plus one-eighth of a percentage point. Telephone borrowers receive similar assistance. Loans are made at 5%, Treasury rates, or Treasury plus one-eighth of a percentage point, depending on the cooperatives' financial condition and the number of its subscribers per line mile. REA telephone borrowers currently have fewer party line services (98% one-party service) than non-REA borrowers that serve rural areas. The 1990 Farm bill authorized a new distance learning and medical link grant program that is now the REA program most in demand and that may be representative of a new direction for the 50 year old REA program. Grants are made to educational institutions, hospitals, or other rural community facilities to provide access to classes and training via video uplinks.

Direct water and wastewater loan and grants are provided together as a financial package to public bodies, organizations operated on a not-for-profit basis, and Indian tribes, for the development of storage, treatment, purification, or distribution of, water or the collection, treatment, or disposal of wastewater in rural areas. A rural area includes any area, city or town that has a population of not more than 10,000 inhabitants. Grants are used in combination with loans in proportion to a community's ability to afford the cost of the project while charging reasonable utility rates. Drinking water and sewage treatment systems serving small, mostly rural populations currently have the highest rates of noncompliance with Federal environmental standards and Safe Drinking Water Act standards.

Key Performace Indicators:	1991	1992	1993	1994
Water and Wastewater loans and grants				
Dollars obligated ($ millions):	846	1,075	1,343	1,382
New users served:	829,044	758,103	825,800	812,870
Systems built, expanded, improved:	718	660	594	605
Electric loans				
New consumers served			13,183	13,460
Miles energized			2,250,000	2,270,000
Number of borrowers			929	910
Telephone loans				
Miles of line constructed or improved			960,000	970,000
Dial subscribers, new or improved			6,174	6,237
Number of borrowers			952	945

Rural Housing and Community Development Service: $1,572 (+10%)

New agency created under the USDA reorganization. Agency includes all of the rural housing loan and grant programs formerly administered by the Farmers Home Administration and the community facility loans formerly administered by the Rural Development Administration.

Rural housing single-family direct loans are made to enable eligible very low- and low-income applicants to purchase, construct, and repair houses in rural areas, if their need for necessary housing cannot be met with financial assistance from other sources. Direct loan interest rates are adjusted so that borrowers' mortgage payments do no exceed 20% of income. Guaranteed loans are made for similar purposes but to moderate-income families. Rural housing direct multi-family loans are most often made to private developers and some non-profit corporations to finance construction of rental housing for elderly , handicapped persons, and families, and other low-, very low-, and moderate-income rural residents. Rental assistance grants are provided to the multi-family projects to reduce the amount of rent charged to tenants. These grants are 5 year contracts that are project-specific and are not transferable. Rural areas for all housing programs are defined as towns with less than 10,000 inhabitants.

According to the most recent federal housing survey, more than 7 million nonmetro households are struggling with serious housing problems, and are either living in physically inadequate or overcrowded units or carrying an unaffordable housing cost burden. Three out of every four of these households are low-income: more than 4 million have very low incomes (less than half of median).

Community facility direct and guaranteed loans are made to public, nonprofit associations, and Indian tribes in rural areas and towns with a population of 20,000 or less, for essential community facilities and necessary equipment. Loans are made for hospital construction and equipment, a stations and fire trucks, and other community facilities.

Key Performance Indicators:

	1991	1992	1993	1994
Community Facility Loans				
Population served:	3,023,181	4,734,920	2,872,765	3,327,357
Number of borrowers graduated to private credit	200	361	370	356
Rural Housing				
Units assisted	76,835	78,692	85,373	104,224

Rural Business and Community Development Service:
$153
(+8%)

New agency created under the USDA reorganization. Agency includes the business and industry guaranteed loan program, the rural development grant program, and the intermediary relending program formerly administered by the Rural Development Administration.

The Business and Industry guaranteed loan program provides loan guarantees issued to local lenders on loans made to individuals, public, private, or cooperative associations, and Indian tribes, for the purpose of improving, developing, or financing business, industry and employment, and improving the economic and environmental climate in rural communities. This type of assistance is available only to businesses located in areas outside the boundary of a city of 50,000 or more. Intermediary loans are made to intermediary borrowers (private nonprofit corporations, state or local government agencies, Indian tribes and cooperatives) who, in turn, relend the funds to rural businesses, private nonprofit organizations and other entities. Financial assistance from the intermediary must be for community development projects, the establishment of new businesses and/or the expansion of existing businesses. Rural development grants are made to finance and facilitate development of small and emerging private business enterprises in rural areas or cities of up to 50,000 population. Priority is given to applications for projects in open country, rural communities and towns of 25,000 or smaller, and economically distressed communities.

Key Performance indicators:

Business and Industry/ Intermediary Relending	1991	1992	1993	1994
Jobs saved & created	7,296	11,828	3,591	15,927
Loans made	142	82	60	77

Farmer Program loans
$390
(-3%)

Under the USDA reorganization, the farmer program loans will be moved from the Farmers Home Administration to the Farm Service Agency.

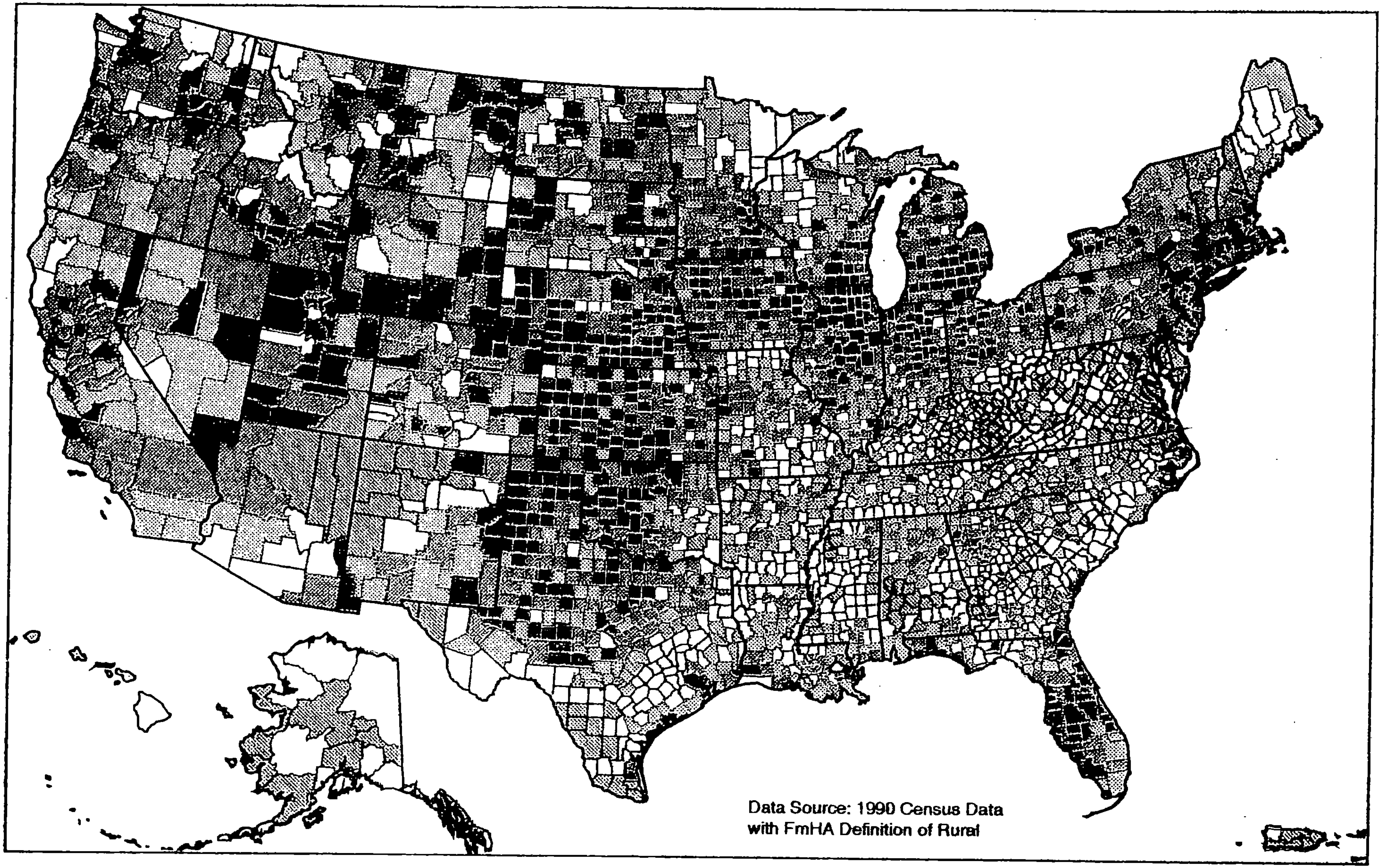
Direct and guaranteed farm loans are made to farmers who are unable to receive credit elsewhere to purchase farmland, equipment and other farm input items. In general, direct loans are made to family-sized operators who are highly leveraged. The direct loans help restructure debts or help the farmer stay on the farm. For operating loans, the loan limit is $200,000 for direct loans and $400,000 for guaranteed loans. Pursuant to the farm crisis in the 1980s, a specifc set of borrower's rights has been promulgated by Congress. These borrower rights provide a number of opportunities for borrowers in serious financial difficulty to have their debt written down in order to retain the farming business. These opportunities include traditional loan rescheduling, reamortization and deferrals. As the farm loans from the 1980s have been serviced, the program has begun to target its new loans to beginning and socially disadvantaged farmers.

Key Performance Indicators:

For the most part, FmHA does not have any outcome measures. The farm program is consistently flagged as a poor financial performer by OMB, GAO and the USDA IG.

NRD is working with FmHA to establish and track performance measures for the farm programs, but statistics will not be available for some time.

PERCENTAGE OF HOUSEHOLDS WITH INADEQUATE PLUMBING IN RURAL AREAS BY COUNTY



- no data
- 0.980 - 1.799 (726 counties)
- Greater than 5.000% (237 counties)
- 0.520 - 0.979 (737 counties)
- 1.8000 - 5.000% (710 counties)
- Less t[illegible] 0.520% (697 counties)

PROGRAM STRUCTURE AND PERFORMANCE
CONSERVATION PROGRAMS
(in millions of dollars)

	FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	FY 1996 Agency Request	FY 1996 PAD Recom.	FY 1996 Recom. less Request
BA	1,240	1,149	697	626	784	988	844	(144)
OL	1,150	1,277	886	980	800	1,064	972	(92)

Description of Programs:
(PAD Rec., % change from enacted)

Soil Conservation Service (SCS)
$784
(+8%)

SCS provides technical and cost-share assistance to landowners for soil and water conservation purposes. Technical assistance is directed to: erosion control on highly erodible lands (these measures are required for producers to participate in the CCC price- and income-support programs), water quality improvment practices, and rangeland managment. The agency also maps soils and wetlands and makes wetland delineation determinations. SCS provides cost-share assistance for flood damage prevention and water quality. SCS will reform its principle cost-share program, the Small Watershed Programs this year to emphasize water quality and non-structural methods (wetlands) of flood damage reduction. SCS's primary goal is the reduction of erosion on highly erodible lands. Soil sediment is the principle cause of water quality impairment. In FY 1996, SCS will provide technical assistance to individual land owners and units of government that will affect 65 milllion acres, reducing an estimated 350 million tons of soil erosion. From 1982, average erosion on cropland will have fallen from 4.1 tons/acre to below 3 tons/acre this year.

Agricultural Stabilization and Conservation Service (ASCS): conservation programs
$60
(-46%)

ASCS conservation programs include cost-share and land retirement activities. The cost-share programs, including the Agricultural Conservation Program, provide financial assistance to landowners for conservation practices on their lands, such as the use of Integrated Pest Management techniques, cover crop seeding and terrace preparation. High priority practices, such as the Water Quality Incentives Program and Integrated Crop Management will be continued in FY 1996. The land retirement programs, include the mandatory Wetlands Reserve Program and Conservation Reserve Program, which purchase permanant easements for retiring wetlands, and 10 year rental contracts on highly erodible lands, respectively. The Wetland Reserve Program PAD recommendation (for 300,000 acres) will significantly advance the President's goal of a Nationwide net increase in wetland acres. These acres will be added to the 268 thousand acres previously enrolled through the WRP and Emergency Wetland Reserve Program since FY 1992. The CRP currently has 36.5 million acres enrolled. The Administration supports the reauthorization of the CRP in the 1995 Farm Bill.

PROGRAM STRUCTURE AND PERFORMANCE
FOREST SERVICE
(in millions of dollars)

		FY 1993	FY 1994	FY 1995		FY 1996			
		Actual	Actual	President's Request (FY 95Bud)	Enacted	President's Request (FY 95Bud)	Agency Request	PAD Recom.	Recom. less Request
Forest Service	BA	2,179	2,373	2,402	2,370	2,413	2,396	2,406	10
	OL	2,178	2,335	2,348	2,392	2,548	2,384	2,409	25

Description of Programs:
(PAD Rec., % change from enacted)

Forest Research:

$194
(-3%)

The Forest Service performs intramural research that develops and disseminates scientific information aimed at improving how Federal, State, and private landowners protect, manage, and use the Nation's 1.6 billion acres of forest and related rangeland. The forest research program is carried out through six fundamental areas of research: forest fire and atmospheric sciences, forest insect and disease, resource analysis, forest management, forest environment, and forest products and harvesting. Research to support the President's Plan for the Pacific Northwest, the Climate Change Action Plan, and the NSTC assessments are top priority. Another top research priority is research to support the Forest Service's shift to ecosystem management.

State and Private Forestry:

$195
(21%)

The cooperative State and Private Forestry programs provide assistance that helps State and private landowners manage, protect, and use their forest resources. Assistance is provided through the State Foresters and a wide range of partners including tribal governments and local officials. Programs funded include: forest health management; cooperative fire and pest protection, urban and community forestry, forest stewardship and the stewardship incentive program (provides technical and cost share assistance to non-industrial private landowners to improve private forests' health and management). Economic assistance to communities in the Pacific Northwest is also provided through State and Private Forestry programs.

The FY 1996 Budget would significantly increase funding for assistance to States for forest fire management and for the forest stewardship and stewardship incentive programs. The PAD recommended level for the forest stewardship program will result in 6.3 million acres being enrolled in a cost-share program that promotes sound forest practices by non-industrial private landowners. Approximate 450 million seedlings will be produced and planted on 1.1 million acres of non-industrial private forest land. At the PAD recommended level for the stewardship incentives program, 14,550 trees will be planted and approximately 19,750 landowner contracts will be reviewed and approved, leading to improved management by private landowners.

PROGRAM STRUCTURE AND PERFORMANCE
FOREST SERVICE
(in millions of dollars)

International Forestry: $10 (43%)	The Forest Service, through cooperative efforts with other countries, promotes the management and conservation of natural resources internationally. The requested increase for international forestry programs will fund increased technical cooperation in countries such as Brazil, Mexico, Russia, and Indonesia. Funding will also be provided for two international forestry institutes in Puerto Rico and Hawaii.
National Forest System: $1,333 (-1%)	Funding for the Nation Forest System supports the protection, management and utilization of the 191 million acres of National Forest System lands through the following programs: timber harvest and reforestation; rangeland management; outdoor recreation programs including trail maintance; and wildlife management programs. Funding for the timber and the minerals programs is reduced from the FY 1995 enacted level, while increases are proposed for the rangeland management, recreation, and wildlife management programs. This is consistent with the agency's move to an ecosystem management approach. At the USDA request and PAD recommended level, total timber sales would be 4.2 billion board feet including salvage sale funding. This is about the same level as the FY 1995 budget. The total reforestation and timber stand improvement programs will meet the Forest Service's estimated need of about 300,000 acres for each program.
Forest Service Firefighting: $398 (3%)	The funding provides for fire presuppression, fuels management, and emergency fire suppression activities. Through the fire presuppression and fuels (dead and dying timber or brush) management programs, the Forest Service inventories fuels hazards and determines appropriate treatments to reduce the risk of severe fires. The funding also supports suppression of wildland fires and immediate rehabiliation, such as planting seedlings, to reduce further damage to natural resources. The PAD recommendation will provide for the removal and treatment of high priority fuels on 348,000 acres.
Construction: $205 (1%)	The construction program provides for acquisition, restoration, construction, and improvement of buildings, utility systems, recreation facilities, trails, roads, and bridges. The PAD recommendation includes increases for recreation facility repair and road construction. Timber road construction and repair funding is $10 million less than the FY 1995 Budget request. Approximately 200 miles of recreation roads and 98 miles of timber roads would be repaired or constructed.
Land Acquisition: $65 (0%)	Funding in the Forest Service's Land and Water Conservation Fund account provides funding for the acquisition of lands for recreation and conservation purposes. At the PAD recommended level, approximate 56,000 acres will be purchased. The Forest Service has developed, with the Department of the Interior, a list of criteria for determining high priority acquisitions, which include areas threatened with imminent development and areas with significant natural resources.

PROGRAM STRUCTURE AND PERFORMANCE
MARKETING & INSPECTION SERVICES
(in millions of dollars)

	FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	FY 1996 Agency Request	FY 1996 PAD Recom.	FY 1996 Recom. less Request
Marketing and Inspection Services................ BA	1,034	1,061	883	1,044	883	991	1,024	33
OL	1,085	1,004	880	1,042	880	980	1,017	37

Description of Programs
(PAD Rec., % change from enacted)

Food Safety & Inspection Service (FSIS)

$577
(+12%)

The major objective of the Food Safety Inspection Service (FSIS) is to ensure that the Nation's commercial supply of meat and poultry products is safe, wholesome, and correctly labeled and packaged. The Meat and Poultry Inspection Program of the FSIS provides in-plant inspection of all domestic establishments preparing meat or poultry products for sale or distribution in commerce; reviews foreign inspection systems and establishments that prepare meat or poultry products for export to the United States; and provides technical assistance to States which maintain meat and poultry inspection programs equal to the Federal inspection program.

The Agency is begining to change its focus away from sensory identification of contaminated meat, to identification of microbial contamination and contaminated meat and preventing contaminated meat from entering the processing chain. The FY 1996 request and PAD mark makes several proposals that move it towards this direction. Both FSIS and the Agricultural Research Service (ARS) are working in consultation to develop a rapid microbial test that will identify contaminated meat. The Agency is proposing $8 million for the Field Automation Information Management (FAIM) pilot project that will electronically link slaughter and processing plants to the Washington headquarters. Ultimately this will enable the Agency to speed up it's internal communications process. The Agency is also proposing $5 million for its Pathogen Reduction Program which includes funding for: the development of rapid microbial test, consumer education, unannounced plant inspections, and additional compliance officers.

FSIS: Performance Indicators:

	1991	1992	1993
Number of Inspectors	7,095	7,089	7,444
Pounds Inspected (in millions)			
Meat Slaughter	35,500	38,727	40,665
Poultry Slaughter	29,581	35,679	37,070
Import/export activity			
Meat and poultry imported	2,516	2,609	2,597
Meat and Poultry exported	3,324	2,730	2,000

Animal and Plant Health Inspection Service (APHIS)

$450
(-2%)

The primary mission of APHIS is to protect the Nation's animal and plant resources from diseases and pests in order to preserve the marketability of U.S. agricultural products within this country and for export. APHIS conducts inspection and quarantine activities at U.S. ports of entry to prevent the introduction of exotic animal and plant diseases and pests. APHIS's Animal Damage Control (ADC) program protects agricultural and natural resources by engaging in preditor control activities. The Agency also carries out programs programs to control and eradicate pest infestations and animal diseases. There were 5,157 full-time employees and 1,654 other-than-permanent full-time employees as of September 30, 1993. Field activities are managed on a National basis through 10 regional offices and 440 field offices. APHIS also works in 50 states, Guam, Puerto Rico, Virgin Islands, Mexico, Central America, the Caribbean, Western Europe, Australia, Asia, and Africa.

Historically the mission of APHIS has been pest and disease eradication. The Agency is attempting to shift this focus more towards the exclusion and prevention of these problems. This shift in focus is required by the globalization of international trade, that has greatly increased the threat of foreign pest and disease introduction. The Agency has recognized that preventing harmful pests from entering the country is less expensive than getting them out. For FY 1996 greater flexibility of APHIS resources will be requested. The Agency is currently constrained by its 43 line items which require spending on specific pesta and diseases. A decrease in line items and an increase in the in the contingency fund is requested. (contingency) pest suppression fund. APHIS administrators believe that this will enable the Agency to respond to pest emergencies without requesting The Agency is also requesting the elimination of 8 of its 43 line items, so as to provide greater flexibility in the allocation of resources.

APHIS: Performance Indicators

APHIS has developed performance indicators for its Agricultural Quarantine Inspection (AQI) program. The goal of this program is to prevent prohibited agricultural pests and diseases from entering the country. The Agency measures performance by comparing the rate at which prohibited items are intercepted with the rate at which passengers and crews are bringing items of agricultural significance into airports.

	1993	1994
Passenger inspection (millions)	57	58
Pest interceptions (thousands)	52	53

By comparing the ratio of pests intercepted with the number of passengers, over time the Agency will be able to determine whether or not a particular strategy has been effective.

Agricultural Marketing Service (AMS)

$49
(-9%)

AMS is to carries out a wide range of programs that facilitate the marketing and distribution of agricultural products, ensure fair trading practice, and assures consumers of an abundant, high quality food supply. This is achieved through the collection and dissemination of market news information, the establishment of grading standards, the promotion of an efficient agricultural transportation system, the provision of inspection and grading services, and through various marketing development programs. Approximately 70 percent of funds needed to finance these activities are derived from user fees. As of September 30, 1993 there were 3,552 full-time employees and 1,796 other- than-permanent full time employees. AMS is headquartered in Washington, D.C., with approximately 197 field offices.

In recognition of the growth in international trade AMS has begun to expand its market data collection capabiliti beyond the bord rs of the United States. The c tion of internation agricultural market data entails the collection, analysis and dissemination of supply, inventories, prices and other market information for numerous agricultural commodities. This information is critical for agricultural exporters' who make decisions on where and when to sell, and at what price.

Other Agencies

$10,884
(-53%)

Other agencies in this area include the Packers and Stockyards Administration (P&SA), which is an investgative agency, primarily responsible for administering the provisions of the Packers and Stockyards Act. P&SA's mission is to promote fair business practices and a competitive marketing environment that benifits producers, consumers, and those engaged in the marketing of live poultry. The Agency carries out this mission by: investigating trade practices of packers, market agencies and dealers, investigating meat merchandising chain store buying, investigating the financial condition and payment practices of market agencies, dealers, and packers. There are 176 full-time permanent employees, and twelve regional offices. P&SA is moving towards becoming a 100% financed user fee program. In their FY 1996 the Agency is seeking authority to collect license fees to cover the cost of the program.

The mission of the Federal Grain Inspection Service (FGIS) is to facilitate the marketing of grain, oilseeds, pulses, rice, and related commodities by: a) establishing descriptive standards and terms, b) accurately and consistently certifying quality, c) providing for uniform official inspection and weighing, d) carrying out assigned regulatory and service responsibilities, and e) providing the framework for commodity quality improvement incentives to both domestic and foreign buyers. FGIS employs 646 full-time permanent employees, and operates out of 21 field offices. User-fee supported activities account for approximatly 74 percent of total agency spending. The FGIS FY 1996 submission reproposes a user fee for standardization activities. FGIS develops reviews, and maintains official U.S. grain standards used by the entire grain industry. This proposal would initiate user fees for this service. The Administration believes that the benificiaries of these services should pay for the costs of these services.

PROGRAM STRUCTURE AND PERFORMANCE
INTERNATIONAL AFFAIRS, CROP INSURANCE AND COMMODITY PROGRAMS
(in millions of dollars)

	FY 1993	FY 1994	FY 1995		FY 1996			
	Actual	Actual	President's Request (FY 95Bud)	Enacted	President's Request (FY 95Bud)	Agency Request	PAD Recom.	Recom. less Request
BA	1,155	1,142	1,104	748	1,104	924	869	(55)
OL	1,145	1,178	1,070	856	1,120	932	867	(65)

Description of Programs:
(PAD Rec., % change from enacted)

Agricultural Stabilization and Conservation Service (ASCS): Salaries and Expenses
$657
(-8%)

ASCS administers the crop price- and income-support programs of the Commodity Credit Corporation (mandatory). This support is provided through the 13,765 county office employees throughout the country. ASCS county office employees are not considered Federal FTEs, by statute, although the Federal government pays their full salary costs. County office workload includes: program administration and compliance, basic farm record management and commodity program payments. workload. The performance goal of the program is to maintain customer service with increased efficiency. This goal will be advanced through the Farm Service Agency reorganization, with office co-locations and closures to attain a smaller field office structure, but one that can deliver more efficiently a "one-stop shopping" for farmer customers. ASCS salaries and expenses will be combined in the USDA reorganization with the farmer loan programs of Farmers Home Administration and the Federal Crop Insurance Corporation to form the Farm Service Agency. Savings from the agency request for this area are due to restricting the Emergency Livestock Assistance Program to areas where the reformed crop insurance policies are not available.

Federal Crop Insurance Corporation (FCIC)
$89
(+29%)

Under the USDA reorganization, the Federal Crop Insurance Corporation (FCIC) will be merged into the Farm Service Agency. FCIC provides subsidzed crop insurance to farmers to protect against adverse production losses caused by natural disaster. The program was comprehensively reformed in FY 1994. The reform significantly expanded crop insurance in order to replace ad hoc disaster programs. A new "catastrophic" policy was created that indemnifies farmers for greater than a a 50% production loss. The catastrophic policy indemnifies farmers at roughly the same amount as the ad hoc disaster program. The catastrophic policy is free to the farmer, who must sign up for this insurance coverage if he or she is a CCC farm program participant. A $50 processing fee is collected to defray the administrative expenses for the policy. The reform legislation also established a standing disaster assistance program for those crops that FCIC currently does not insure (mostly small crops like fruits and vegetables). The disaster assistance is available to a farmer for these crops if the area (county) where the land is located experiences a 35 percent loss or greater. The farmer is indemnified for any loss exceeding 50 percent of normal production.

Foreign Agricultural Service (FAS)
$123
(+5%)

FAS administers the international trade promotion and export assistance programs of USDA. FAS has both overseas and Washington personnel. Their activities include work on trade negotiations, market development, administration of PL 480 and the mandatory export loan guarantees and the Export Enhancement Program (EEP) of the CCC. FAS organizes overseas trade shows for agricultural products and provides cost-share assistance for product and commodity promotion through the Market Promotion Program. In keeping with the Administration's September 30th commitment for GATT, MPP is fully funded in the PAD mark. FAS's goal is to increase agricultural exports by 50% by the year 2000. The Trade Policy Coordinating Committee has not finalized the common performance measures for the export promotion agencies. Currently FAS has no presence domestically, except in Washington. PAD recommendation provides funds for FAS to increase domestic outreach, by co-locating with the Department of Commerce Export Centers in order to better assist new-to-export firms. Overseas expansion of FAS offices, included in the PAD mark, would provide additional support to increase U.S. exports.

PROGRAM STRUCTURE AND PERFORMANCE
RESEARCH/ECONOMICS/STATISTICS AGENCIES
(in millions of dollars)

	FY 1993	FY 1994	FY 1995		FY 1996			
	Actual	Actual	President's Request (FY 95Bud)	Enacted	President's Request (FY 95Bud)	Agency Request	PAD Recom.	Recom. less Request
BA	1,766	1,817	1,741	1,831	1,704	1,841	1,775	(66)
OL	1,735	1,807	1,822	1,831	1,763	1,863	1,855	(8)

Description of Programs:
PAD REC (% change from enacted)

Agricultural Research Service (ARS):
$725 million
(-2%)

ARS is the Federal component of agricultural research, employing 8,000 FTE's in 125 laboratories. Research is performed in soil, water and air sciences, plant sciences, animal sciences, commodity conversion and delivery, and human nutrition. ARS is placing increased emphasis on pesticide reduction, including integrated pest management, food safety/pathogen reduction, and the food intake of children. Recent priorities include research in no-till farming methods and improved crop resistance to insects and disease.

Cooperative State Research Service (CSRS):
$437 million
(-12%)

CSRS provides research grants to colleges and universities. The largest portion goes to the 1862 land grant colleges and universities. The National Research Initiative (NRI), funded through CSRS, provides competitive grants that undergo peer review. A separate Facilities account funds construction of research facilities at colleges and universities. CSRS is placing greater emphasis on integrated pest management and alternatives to pesticides that EPA may not reregister, as well as areas such as water quality and global change. CSRS is emphasizing competitive research through the NRI, as opposed to research grants and construction projects that are targeted to specific locations, often for purposes that have a local, rather than national or regional use. Annual appropriation earmarks frustrate this emphasis and have consistently underfunded the NRI request. An example of recent emphasis includes research in ways of reducing the stress on trees through integrated forest protection (ecosystem management).

Extension Service (ES):
$445 million,
(-3%)

ES provides grants mainly to State extension agencies. The ES provides a large number of diverse programs and services, from advice on proper laundry sorting to education on pesticide application and farm management. It also includes allocations for specific programs such as the Expanded Food and Nutrition Education Program (EFNEP) for low income households, and assistance to the 1890 (historically black) universities, including Tuskegee. The current program emphasizes integrated pest management and improvement of faciltiies at the 1890 institutions.

Other Programs:
$168 million,
(+9%)

Other programs in this area include the National Agricultural Library (NAL) in Beltsville, and the central USDA economics and statistics agencies (the National Agricultural Statistics Service and the Economic Research Service-ERS). Statistics programs manage surveys of the agricultural sector for use by USDA, other government agencies, and the general public. ERS currently employs 400 economists, in addition to economists employed in program bureaus. The economics programs provide additional analyses in major program and policy areas. Emphasis is being placed on moving NAL into the electronic information age through greater provision of computer on-line services, and in begining the preservation of older library materials currently in poor condition. The statistical programs are moving into the pesticide use area, in conjunction with EPA.

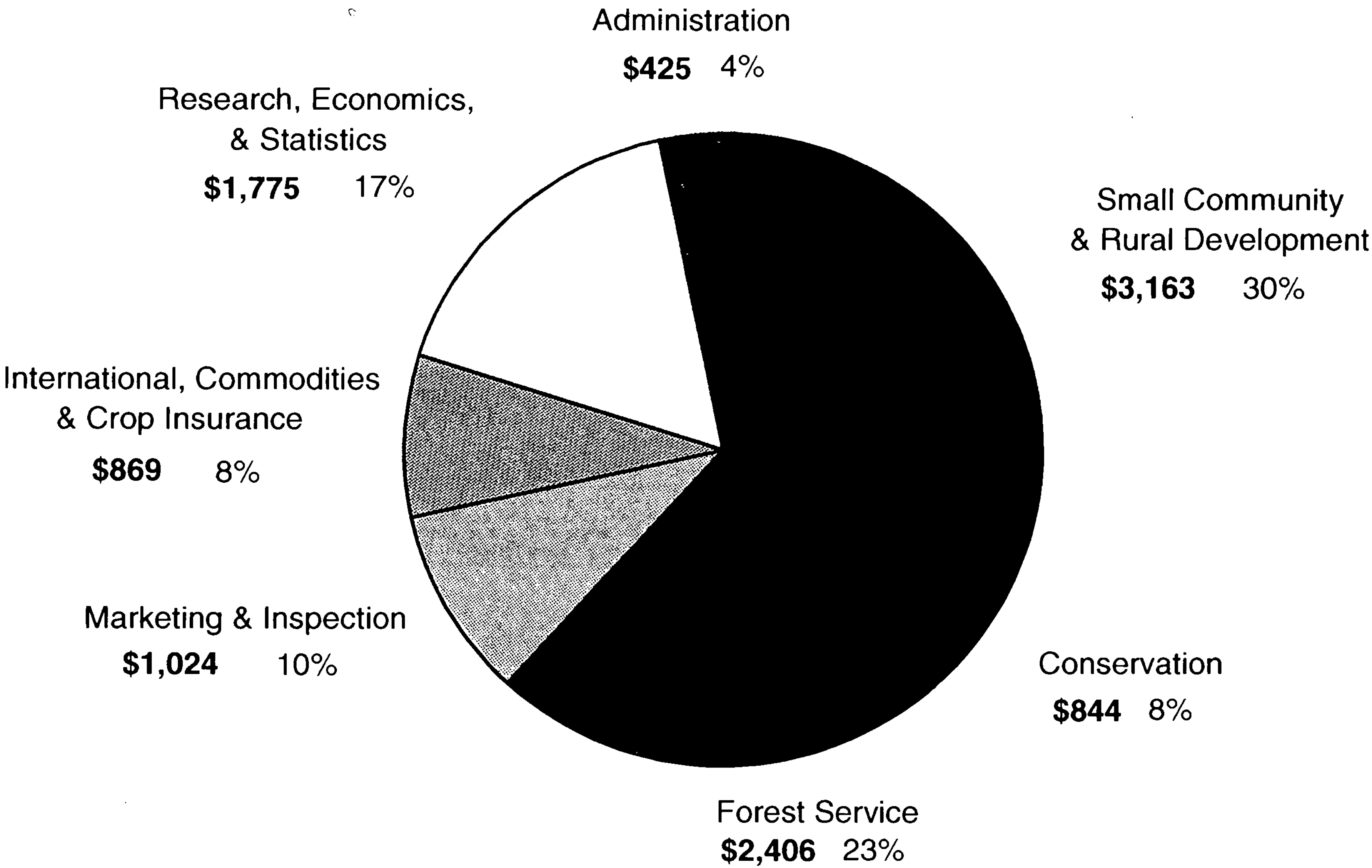
PACIFIC NORTHWEST ECONOMIC ASSISTANCE AND FOREST PLAN IMPLEMENTATION

($ MILLION BA OR PROGRAM LEVEL)

	FY 1994 MOU*	FY 1994 APPROP.	FY 1995 MOU*	FY 1995 APPROP.	FY 1996 MOU*	FY 1996 REQUEST	FY 1996 PAD REC.
ECONOMIC ASSISTANCE							
DOL/JTPA-III:SEC'Y RESERVE	12	12	12	12	12	12	12
RDA/RBEG	4.1	4.1	4.1	4.1	4.1	4.1	4.1
RDA/B&I PROGRAM	35.3	35.3	35.3	35.3	35.3	35.3	35.3
RDA/INTER. RELENDING	16	16	16	16	16	16	16
RDA/WWD	87	87	87	87	87	87	87
RDA/CF PROGRAM	41.6	41.6	41.6	41.6	41.6	41.6	41.6
FS/OLD GROWTH	3	3.5	3	3	3	3	3
FS/COMMUNITY ASSISTANCE	10	10	10	10.1	10	10	10
FS/STEWARDSHIP &SIP	4	0	4	0	4	4	4
FS"JOBS IN THE WOODS"	16	20	16	14.6	16	16.2	16.2
DOI/"JOBS IN THE WOODS"	30	7	30	18.1	30	30	30
COMMERCE/EDA	15	15	3	3	3	3	3
EPA/319 CWA, Ecoresearch	5	5	5	5	5	5	5
Subtotal, Economic Assistance	279	256.5	267	249.8	267	267.2	267.2
FOREST PLAN IMPLEMENTATION							
FOREST SERVICE	0	60.8	0	67.3	0	74.2	74.2
INTERIOR	0	21.5	0	36.8	0	48.7	48.7
Subtotal, Plan Implementation	0	82.3	0	104.1	0	122.9	122.9
TOTAL ECONOMIC ASSISTANCE & PLAN IMPLEMENTATION	279	338.8	267	353.9	267	390.1	390.1

* The interagency MOU formalizes the financial commitment made by the respective Agencies to continued funding for PNW Economic Adjustment and Community Assistance.

USDA - NRD PROGRAMS
DISCRETIONARY SPENDING
FY1996 PAD Recommendation-- Total of $10,506 M in BA
(BA$ in millions; % of total PAD rec)



PROGRAM STRUCTURE AND PERFORMANCE
CENTRAL ADMINISTRATION AREA
(in millions of dollars)

	FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	FY 1996 Agency Request	FY 1996 PAD Recom.	FY 1996 Recom. less Request
BA	230	294	395	291	440	427	425	(2)
OL	216	282	385	295	414	389	389	---

Description of Programs:
PAD REC (% change from enacted)

Rental Payments to GSA
$90 million
(+2%)

This funds the annual payments to GSA for all space except the Washington D.C. headquarters complex. USDA is undertaking enhanced managment responsibility on its Washington headquarters , including making major renovations and repairs, formerly a GSA responsibility.

Facilities Request
$66 million
(+129%)

In FY 1995, USDA was given approval to undertake a major renovation of the South Building in D.C., its largest building, that has deteriorating utilities and significant health and safety problems. USDA estimates that the renovation will increase the capacity of the building by up to 1,800 people, and save future maintenance costs. In conjunction with the renovation, USDA will construct a campus-style facility in Beltsville, which will house people dislocated during the renovation, and, after the completion of the renovation, house staff currently in about 18 privately-owned locations, resulting in significant annual savings to tax-payers from reduced lease costs.

Info-Share
$59 million
(n/a)

Info Share is a USDA initiative to improve the efficiency and customer service of USDA field offices through a new computer system that could cost over $500 million over the next five years. It includes business process re-engineering, coordinated communications and information management among field office agencies, and the upgrade or purchase of hardware platforms and software when necessary. Info Share has come under criticism from GAO, the Congress and OMB, and has had several false starts in the last few years. OMB will be exercising close scrutiny over agency implementation of the project. This is a very important program to the successful implementation of the USDA field office re-organization.

Hazardous Waste Management
$45 million
(+187%)

This program coordinates most of USDA funds for Fe al facilities cleanup under RCRA and CERCLA, although additional funds are found within USDA program agency budgets. Past requests have been reduced by the Congress, resulting in a large backlog of projects.

Other Programs
$165 million
(+4%)

These programs finance other offices, such as the Inspector General, General Counsel, major policy officials and central management of the Department. Under recently enacted USDA re-organization legislation, there will be a significant reduction in the number of agencies in the Department (see streamlining section).

AGENCY DISCRETIONARY WALK-DOWN TABLE -- FY 1996
USDA : NRES PROGRAMS (Excludes HRD and P.L. 480)
(in millions of dollars)

	FY 1993		FY 1994		FY 1995		FY 1996	
	BA	OL	BA	OL	BA	OL	BA	OL
FY 1993 and 1994 Actual/FY 1995 Proposed	10,564	9,642	10,879	10,640	10,048	10,058	N/A	N/A
FY 1995 Enacted..					9,640	10,013	N/A	N/A
FY 1996 in FY 1995 Budget..							10,273	10,213
April 21st Planning Guidance..							10,273	10,213
FY 1996 Agency Request...							11,154	10,387
PAD Recommendation...							10,506	10,213

Major Policy Components of Agency Budget Request:

Component 1: Farmers Home Admin., Rural Development Admin., Rural Electrification Admin.	3,591	2,781

Change from FY 1995 Enacted (BA: +31%; OL +6%)

Proposes $1 billion in water and wastewater grants (100 % increase), and other increases in water and wastewater direct loans, community facility direct loans. Decreases single-family housing direct loans to $1 billion. Request would result in an estimated 36,000 additional rural family homeowners, and 39,000 low-income rural tenants receiving rental assistance. In addition, over 1,300 rural communities would receive financing assistance for new and upgraded water and wastewater facilities. The request would create an estimated 17,700 direct jobs.

REA proposes 25% increase in electric hardship and over 100% increase in FFB-rate direct loans above FY 95 enacted, as well as 100% increase in Rural Telephone Bank direct loans. Creates new direct loan program for medical and education telecommunications links. Request would finance an additional 980,000 miles of line construction, and add 6,000 new utility subscribers.

Component 2: Conservation Programs: Change from FY 1995 Enacted (BA: +24%; OL: +8%)	1,001	1,061

Funds Wetlands Reserve Program (mandatory) at 153,000 acres. Increases Small Watershed Program 100% from FY 95 enacted, and includes increases for salaries and expenses. Programs would reduce soil loss from erosion an estimated 15 million tons from the FY 1995 estimate of 335 million tons.

AGENCY DISCRETIONARY WALK-DOWN TABLE -- FY 1996
USDA : NRES PROGRAMS (Excludes HRD and P.L. 480)
(in millions of dollars)

Component 3: Forest Service: Change from FY 1995 Enacted (BA: +1%; OL: +0.5%) Includes funding for Pacific Northwest Forest Plan. Increases funds for State and Private Forestry, and Fire Presuppression. Decreases funds for LWCF Land Acquisition (would acquire 8,000 acres), and Emergency Firefighting. Request would result in 6 million acres being enrolled in Federal cost-share programs to improve private landowner forest practices. 29 Forest Plans will be revised in FY 1996. Timber stand improvement practices will be implemented on 300,000 acres, and an estimated 300,000 acres will be reforested.	2,396	2,384
Component 4: Marketing and Inspection Services: Change from FY 1995 Enacted (BA: +7%; OL: +6%) Request would add 350 meat and poultry inspectors and funds to continue implementation of Pathogen Reduction Program. A number of user fees are reproposed, including for costs of overtime inspections.	1,121	1,110
Component 5: Commodities and Int'l. Programs: Change from FY 1995 Enacted (BA: +26%; OL: +10%) Increases salaries and expenses for commodity program administration by 3%, largely for pay costs. Also increases funding for the Foreign Agricultural Service to expand export promotion activities. Market Promotion Program proposed to be cut by $20 million from authorized level. Goal of USDA export assistance programs is to increase U.S. agricultural exports by 50 percent by 2000. Request adds funds for trade shows and additional agricultural trade officers in overseas offices to promote exports. Crop Insurance equest incorporates 1994 reform legislation that shifts funding for expense reimbursements to mandatory. Increase in salaries and expenses requested to implement reform.	943	942
Component 6: Research, Economics and Statistics: Change from FY 1995 Enacted (BA: +0.5%; OL: +2%) Increases are included for National Research Initiative (to FY 95 Budget request level), and for formula funds to States and State universities. Facilities construction for universities reproposed for elimination.	1,841	1,863
Component 7: Central Administration: Change from FY 1995 Enacted (BA: +47%; OL: +32%) Funds Infoshare computer initiative at $59 million in discretionary funds (plus $375 million in mandatory funds), and continues the USDA facilities initiative to renovate South Building and move D.C. employees out of leased space. Facilities initiative is estimated to save $170 million over the next 10 years. Increases funds 200% for hazardous waste disposal backlog.	427	389
USDA User Fees (Not included Above): Change from FY 1995 Enacted (BA/OL: +2825%;)	(130)	(130)
USDA Discretionary Changes to Mandatory Programs (Not included Above):	(270)	(189)
Agency Request.......	10,919	10,211

AGENCY DISCRETIONARY WALK-DOWN TABLE -- FY 1996
USDA : NRES PROGRAMS (Excludes HRD and P.L. 480)
(in millions of dollars)

Adjustments to Agency Request (Technical Changes, Scoring Changes, Reestimates):

Scoring change (Score CRP proposal from revised, not Midsession, baseline)	235	159
Outlay reestimate	---	17
Total, Adjustments to Agency Request	235	176
Total, Adjusted Agency Request	11,154	10,387
FY 1996 Guidance	10,273	10,213
Amount over Guidance	**881**	**174**

PAD Recommendations (Changes to adjusted request to meet guidance):

Component 1: FmHA/RDA/REA Reduce Water and Wastewater grants to $625 million. Increase single-family direct loans to $1.2 billion (FY 95 enacted level). Fully fund Rental Assistance. Propose new direct loan program for AARC. Absorb pay cost. Reduce most REA loans to FY 1995 enacted level. Assume privatized Rural Telephone Bank (see Issue Paper). Increase new direct loan program for medical and educational telecommunications links to $100 million.	(424)	(71)
Component 2: Conservation Programs: Increase mandatory Wetlands Reserve Program to 300,000 acres (FY 95 Budget proposed level). Reduce Small Watershed program. Eliminate Colorado River Basin Salinity program, snow surveys, and Water Bank program. Limit increase for S&E.	(144)	(92)
Component 3: Forest Service: Fund Emergency Firefighting at ten year average (excluding FY 1994 catastrophic level) by reducing requested increase for fire pre-suppression. Increase land acquisition to FY 95 enacted level. Reduce FTEs by 1,000.	10	25
Component 4: Marketing and Inspection Services: Make additional inspectors contingent upon enactment of overtime user fee. Increase flexibility of Animal and Plant Health Inpection Service in responding to pest outbreaks by reducing individual bug line items and increasing the contingency fund.	33	37

AGENCY DISCRETIONARY WALK-DOWN TABLE -- FY 1996
USDA : NRES PROGRAMS (Excludes HRD and P.L. 480)
(in millions of dollars)

Component 5: Commodities and International Programs, Crop Insurance: Limit S&E to FY 95 enacted level. Reduce mandatory Livestock Feeding Program. Restore Market Promotion Program to authorized level. No change from Request for Crop Insurance.	(55)	(65)
Component 6: Research, Economics and Statistics: Hold formula grants to States and universities to FY 95 enacted level. Reduce Agricultural Research Service by 3 percent. Fully fund high-priority research initiatives. Concur in requested new funding in support of tribally controlled colleges.	(66)	(8)
Component 7: Central Administration: Maintain Infoshare discretionary request, but allow only $100 million from CCC. Reduce request for non-pay inflation.	(2)	---
Total, PAD recommendations	(648)	(174)
PAD RECOMMENDED LEVEL	10,506	10,213
Amount over/(under) Guidance	233	(0)

Percentage Change from:

FY 1994 Actual	-3%	-4%
FY 1995 Enacted	5%	2%
FY 1995 Budget Assumptions for FY 1996	2%	-0%
FY 1996 Guidance	2%	-0%
Adjusted Agency Request	-6%	-2%

AGENCY DISCRETIONARY WALK-DOWN TABLE – FY 1996
USDA : NRES PROGRAMS (Excludes HRD and P.L. 480)
(in millions of dollars)

	FTE Levels
FY 1993 Actual	113,409
FY 1994 Actual	109,830
FY 1995 Enacted	109,803
FY 1996 Agency Request	109,328
PAD Recommendation	107,883
FY 1996 Guidance	108,323
Amount under Guidance	(440)

* See Streamlining Plan status for specifics of USDA FTEs.

DISCRETIONARY INVEST NT PROPOSALS
DEPARTMENT OF AGRICULTURE
(in millions of dollars)

		FY 1993	FY 1994	FY 1995		FY 1996			
		Actual	Actual	President's Request (FY 95 Bud)	Enacted	President's Request (FY 95 Bud)	Agency Request	PAD Recom.	Recom. less Request
Women Infants & Children (WIC)	BA	2,860	3,210	3,564	3,470	3,914	3,914	3,820	(94)
Fully fund	OL	2,846	3,222	3,538	3,451	3,896	3,968	3,851	(117)

Redefines the full funding goal for WIC program to the end of FY 1997, from the end of FY 1996 in last year's Budget.

		FY 1993	FY 1994	FY 1995 Pres.	FY 1995 Enacted	FY 1996 Pres.	Agency Request	PAD Recom.	Recom. less Request
Food Safety Initiative	BA	494	517	534 *	517	534 *	577 *	577 *	0
	OL	506	473	532 *	517	532 *	571 *	571 *	0

Provides operational funding for FSIS Pathogen Reduction Program and for the development of a rapid microbiological test.

		FY 1993	FY 1994	FY 1995 Pres.	FY 1995 Enacted	FY 1996 Pres.	Agency Request	PAD Recom.	Recom. less Request
Food Safety Research Initiative	BA	16	16	41	28	41	39	39	0
	OL	10	12	35	24	35	32	32	0

Provides research funding for the Department's multi-agency Pathogen Reduction Program. The Animal and Plant Health Inspection Service (APHIS) will expand its efforts to reduce foodborne pathogens of animal origin. The Agricultural Research Service (ARS) will continue to conduct research on pathogen reduction in the entire farm-to-table continium. ARS will also develop a rapid on-farm diagnostic tool to detect the presence of pathogens in live animals and in eggs.

		FY 1993	FY 1994	FY 1995 Pres.	FY 1995 Enacted	FY 1996 Pres.	Agency Request	PAD Recom.	Recom. less Request
National Research Initiative	BA	98	105	130	103	130	130	130	0
	OL	45	56	94	80	94	102	102	0

Funds the National Research Initiative (NRI) at the requested level of $130 million, an increase of $27 million from the FY 1995 enacted level. The NRI funds competitive, peer-reviewed research grants in: natural resources and the environment, nutrition and food safety, plant sciences, animal sciences, and developing new uses for agricultural products, markets, trade and rural development.

		FY 1993	FY 1994	FY 1995 Pres.	FY 1995 Enacted	FY 1996 Pres.	Agency Request	PAD Recom.	Recom. less Request
Rural Development Initiative	BA	877	1,039	1,148	1,096	1,208	1,618	1,285	(333)
(Grants)	OL	621	804	887	886	988	1,010	996	(14)

Increases funding by 23% over FY 1995 enacted. The recomendation provides funding for the Secretary's Water 2000 initiative (see attached map) through a 25%in Water and Wastewater Disposal Grants. Currently, an estimated 500,000 rural residents lack running water.

DISCRETIONARY INVESTMENT PROPOSALS
DEPARTMENT OF AGRICULTURE
(in millions of dollars)

		FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95 Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95 Bud)	FY 1996 Agency Request	FY 1996 PAD Recom.	FY 1996 Recom. less Request
Rural Development Initiative	BA	384	580	444	459	444	603	611	8
(Loans)	OL	298	419	352	381	389	383	249	(134)
(LL =Loan Level))	LL	3,119	1,023	5,728	4,029	4,029	4,385	4,675	290

PAD recomendation is 4% above the USDA request, and 20% above the FY 1995 enacted number. Includes increased funding for business and industry guaranteed loans, and water and wastewater disposal direct loans. Also includes funds for a new Alternative Agricultural Research and Commercialization (AARC) loan program, to expand development of new uses for agricultural products.

Natural Resource Protection	BA	683	735	781	774	781	806	806	0
and Environment Infrastructure	OL	711	750	768	762	781	807	807	0

Provides funding for ecosystem restoration projects, to restore recreation facilities, improve trails, and other important maintenance and restoration projects in the 156 National Forests covering 191 million acres.

Climate Change Action Plan	BA	—	2	12	9	17	12	12	0
	OL	—	1	11	4	15	11	11	0

USDA participates in several aspects of the President's Climate Change Action Plan to reduce greenhouse gas emmissions. FY 1996 funding is included for research on recycling, improving use of fertilizers, technical and cost-share assistance to private landowners for tree planting, and pre-timber harvest management.

Pacific Northwest Forest Plan	BA	—	96	103	95	103	107	107	0
Implementation	OL	—	79	102	94	103	105	105	0

Funding included for the implementation of USDA's portion of the President's Forest Plan for the Pacific Northwest. Fully funds commitments in the Memorandum of Understanding for Economic Adjustment and Community Assistance for the Pacific Northwest .

Total Investments..................................	BA	5,412	6,300	6,758	6,551	7,172	7,806	7,387	(419)
	OL	5,037	5,815	6,319	6,199	6,833	6,989	6,724	(265)
	LL	3,119	1,023	5,728	4,029	4,029	4,385	4,675	290

* Food Safety Initiative BA for FY 95 Budget, and FY 1996 figures do not include user fee of $103 million and $105 million respectively. PAD recomendation assumes $61 million in new user fees will be enacted as a contingent appropriation.

SUMMARY OF DISCRETIONARY PROGRAMS
DEPARTMENT OF AGRICULTURE
(in millions of dollars)

		FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	FY 1996 Agency Request	FY 1996 PAD Recom.	FY 1996 Recom. less Request
Farmers Home/ Rural Development/ Rural Electrification Administrations	BA	2,961	3,043	2,827	2,734	2,945	3,587	3,163	(424)
	OL	2,134	2,759	2,666	2,627	2,688	2,775	2,704	(71)
Includes funding for the Presidential Rural Development Investment Initiative, and subsidy costs of loans for rural housing, farms, and electric and telephone borrowers.									
Conservation Programs	BA	1,240	1,149	697	626	784	988	844	(144)
	OL	1,150	1,277	886	980	800	1,064	972	(92)
Includes funding for all USDA conservation programs except the Conservation and Wetlands Reserve Programs (mandatory).									
Forest Service	BA	2,179	2,373	2,402	2,370	2,413	2,396	2,406	10
	OL	2,178	2,335	2,348	2,392	2,548	2,384	2,409	25
Includes funding for the operation of the 156 National Forests, the Pacific Northwest Forest Plan, LWCF Land Acquisition and Emergency Firefighting.									
Marketing and Inspection Services	BA	1,034	1,061	883	1,044	883	991	1,024	33
	OL	1,085	1,004	880	1,042	880	980	1,017	37
Includes meat and poultry inspection, the Animal and Plant Health Inspection Service and the Agricultural Marketing Service.									
International Affairs, Commodity, and Crop Insurance Programs	BA	1,155	1,142	1,104	748	1,104	924	869	(55)
	OL	1,145	1,178	1,070	856	1,120	932	867	(65)
Salaries and expenses for administration of domestic and international commodity programs. Costs for administering the reformed Crop Insurance Programs (crop insurance indemnity payments are mandatory).									

SUMMARY OF DISCRETIONARY PROGRAMS
DEPARTMENT OF AGRICULTURE
(in millions of dollars)

		FY 1993	FY 1994	FY 1995		FY 1996			
		Actual	Actual	President's Request (FY 95Bud)	Enacted	President's Request (FY 95Bud)	Agency Request	PAD Recom.	Recom. less Request
Research, Economics and Statistics Programs....	BA	1,766	1,817	1,741	1,831	1,704	1,841	1,775	(66)
	OL	1,735	1,807	1,822	1,831	1,763	1,863	1,855	(8)

Includes the Agricultural Research Service, the Cooperative State Research Service, the Economic Research Service and the National Agricultural Statistical Service.

		FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	FY 1996 Agency Request	FY 1996 PAD Recom.	FY 1996 Recom. less Request
Central Administrative Programs..........................	BA	230	294	395	291	440	427	425	(2)
	OL	216	282	385	295	414	389	389	—

Includes funding for "Infoshare", the Department's overhaul of its county based computer systems.

		FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	FY 1996 Agency Request	FY 1996 PAD Recom.	FY 1996 Recom. less Request
Total, Discretionary..	BA	10,565	10,879	10,048	9,648	10,273	11,154	10,506	(648)
	OL	9,643	10,640	10,058	10,013	10,213	10,387	10,213	(174)
Discretionary Planning Guidance..	BA	N/A	N/A	N/A	N/A	10,273	10,273	10,273	—
	OL	N/A	N/A	N/A	N/A	10,213	10,213	10,213	—

POTENTIAL INCREASES
TO DISCRETIONARY PROGRAM RECOMMENDATIONS
DEPARTMENT OF AGRICULTURE
(in millions of dollars)

		FY 1993	FY 1994	FY 1995		FY 1996				
		Actual	Actual	President's Request (FY 95Bud)	Enacted	President's Request (FY 95Bud)	Agency Request	PAD Recom.	Potential Increases	Potential Increas. less Pad Recom.
Single-family Housing	BA	242	333	166	228	166	181	251	377	126
	OL	234	312	189	238	171	192	248	348	100
Direct Loans:	LL	1,295	1,800	1,800	1,200	1,800	1,000	1,200	1,800	600

Presidential Investment item. Restoring loan level to FY 1995 request level would result in an estimated 10,000 (+33% over Recom.) additional rural families becoming homeowners in FY 1996.

		FY 1993	FY 1994	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	Agency Request	PAD Recom.	Potential Increases	Potential Increas. less Pad Recom.
Pacific Northwest Forest Plan................	BA	—	96	103	95	103	107	107	127	20
	OL	—	79	102	94	102	105	105	122	17

Would allow additional watershed/riparian restoration work (55,000 more acres of riparian area restored). Additional funding will also allow USDA to meet its goal of completing 10 management plans for Adaptive Management Areas. At full funding, assessments would occur on 30 high priority watersheds and restoration work would begin. Additional planning and monitoring necessary for improved management of sensitive areas would be funded. Forest Service staff requested a total of $208 million (94% over USDA submission and PAD Recom.) for the Plan in FY 1996.

Total Potential Increases:		
	BA	146
	OL	117
	LL	600

POTENTIAL REDUCTIONS TO DISCRETIONARY PROGRAM
RECOMMENDATIONS TO HIT THE 5% TARGET
DEPARTMENT OF AGRICULTURE
(in millions of dollars)

		FY 1993	FY 1994	FY 1995		FY 1996				
		Actual	Actual	President's Request (FY 95Bud)	Enacted	President's Request (FY 95Bud)	Agency Request	PAD Recom.	Potential Reductions	Potential Reduc . less Pad Recom.
APHIS - Reduce bug line items	BA	127	121	108	120	108	111	100	90	-10
	OL	107	102	91	101	91	94	84	76	-8

Proposed increase in contingency fund should provide APHIS greater flexibility in funding pest eradication programs.

Ag Research Service	BA	---	---	-17	-8	-17	---	-6	-13	-7
Close more Federal labs	OL	---	---	-13	-7	-17	---	-5	-10	-5

Propose closing additional labs doing either low priority research or research duplicated at other sites.

Food Safety Inspection Service	BA	494	517	431	517	432	473	516	472	-44
Rapid user fee implementation	OL	506	495	429	517	432	468	511	467	-44

Assume that overtime inspection user fees can be implemented in time to collect full year's fee.

Conservation Operations	BA	577	591	638	587	638	656	636	623	-13
Salaries and Expenses	OL	580	575	628	582	630	645	624	613	-11

Denies all pay cost related increases.

Ag Research Service: Reduce	BA	670	694	718	696	724	724	695	681	-14
low-priority research	OL	687	672	704	688	688	712	695	684	-11

Fund USDA research initiatives in the areas of pesticide clearance and integrated pest management, by reducing base funding for lower priority research.

Reduce Research/ Extension	BA	859	877	851	872	737	918	877	853	-25
Grants (1)	OL	802	876	862	873	875	894	900	882	-18

Reduce funding for grants to 1862 land grant universities and State Extension agencies by five percent from the current level.
(1) Funding sh total for both programs.

POTENTIAL REDUCTIONS TO DISCRETIONARY PROGRAM RECOMMENDATIONS TO HIT THE 5% TARGET DEPARTMENT OF AGRICULTURE

(in millions of dollars)

		FY 1993	FY 1994	FY 1995		FY 1996				
		Actual	Actual	President's Request (FY 95Bud)	Enacted	President's Request (FY 95Bud)	Agency Request	PAD Recom.	Potential Reductions	Potential Reduc. less Pad Recom.
Agricultural Conservation Program Termination	BA	194	195	100	100	100	100	50	—	-50
	OL	182	216	164	162	144	143	123	103	-20

All other conservation cost-share programs from ASCS were tranferred to the new "Natural Resource and Environment Service" (NRES) under the enacted USDA re-organization plan. ASCS fought to hold on to ACP because this program allows funds to be distributed to farmers nationwide in an untargeted fashion with minimal accountability. NRES programs will satisfy the same natural resource goals more efficiently.

		FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	Agency Request	PAD Recom.	Potential Reductions	Potential Reduc. less Pad Recom.
Eliminate Small Watershed Programs	BA	205	213	25	70	—	150	110	—	-110
	OL	200	173	85	162	75	141	123	(50)	-73

Consistent with FY 1996 policy in FY 1995 Budget to eliminate funding for these small, poorly evaluated, environmentally damaging water projects. PAD rec. for FY 1996 is contingent upon significant reforms being enacted.

		FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	Agency Request	PAD Recom.	Potential Reductions	Potential Reduc. less Pad Recom.
REA: Repropose FY 1995 Budget	BA	180	79	20	62	20	154	77	41	-36
	OL	57	66	81	84	79	87	78	77	-1
Direct loans:	LL	1416	1,410	1,354	1,467	1,354	2,005	1,610	1,354	-256

Slightly increases borrower rates to reduce interest rate subsidies. Reduces levels for 5% loans below those assumed by some in Congress to be part of a 1993 "deal" on REA with the Administration (deal was never consumated).

		FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	Agency Request	PAD Recom.	Potential Reductions	Potential Reduc. less Pad Recom.
FmHA: Terminate multi-family loan program.	BA	288	298	116	116	116	113	121	0	-121
	OL	179	274	281	281	129	128	149	129	-20
Direct loans:	LL	574	574	220	220	220	220	220	0	-220

Program is subject to fraud and abuse, and is also subsidized through the Federal tax code. Could be proposed as a one-year mortorium.

		FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	Agency Request	PAD Recom.	Potential Reductions	Potential Reduc. less Pad Recom.
ARS: Facilities	BA	35	33	26	44	26	30	30	13	-18
	OL	46	49	54	56	39	45	45	43	-3

Fund only highest health and safety facility priorities (Plum Island, N.Y. + $7.5 million)

POTENTIAL REDUCTIONS TO DISCRETIONARY PROGRAM
RECOMMENDATIONS TO HIT THE 5% TARGET
DEPARTMENT OF AGRICULTURE
(in millions of dollars)

		FY 1993	FY 1994	FY 1995		FY 1996				
		Actual	Actual	President's Request (FY 95Bud)	Enacted	President's Request (FY 95Bud)	Agency Request	PAD Recom.	Potential Reductions	Potential Reduc . less Pad Recom.
National Agricultural	BA	81	82	89	81	90	90	90	83	-7
Statistics Service	OL	82	81	88	81	88	88	89	83	-6
Fund at FY 1995 enacted level (no new funds for pesticide use surveys or pay raise for local enumerators).										
Renovation of USDA's South Building	BA	—	—	9	9	51	40	40	—	-40
in Headquarters complex	OL	—	—	9	9	31	15	15	—	-15
Delay for one year. Detailed renovation plan prepared in FY 1995, FY 1996 begins construction										
Hazardous Waste Mgmt.	BA	16	16	26	16	26	45	45	26	-19
	OL	20	24	23	16	26	38	36	23	-13
Fund at FY 1995 Budget level. Congress will probably cut PAD rec. level.										
Provide no '96 pay cost or	BA	—	—	—	—	—	90	43	—	-47
'95 annualization for USDA	OL	—	—	—	—	—	86	42	—	-44
Pay cost absorption for most field office agencies already in PAD recommendation.										
State and Private Forestry	BA	165	165	158	161	158	195	195	184	-11
Forest Stewardship	OL	160	165	159	162	158	190	190	181	-9
Fund the Forest Stewardship program at the FY 1995 enacted level.										
National Forest System	BA	1,319	1,309	1,361	1,343	1,361	1,378	1,378	1,357	-21
Land Ownership Management/ Recreation Use (Heritage Resources)	OL	1,320	1,310	1,354	1,338	1,361	1,375	1,375	1,356	-19
Fund the Land Ownership Management program and the Heritage Resources program at the FY 1995 enacted level. Emphasis will be on protection of known historic and cultural sites and collections and maintaining a minimal level of opportunities for public i[illegible]retation, education, and participation.										

POTENTIAL REDUCTIONS TO DISCRETIONARY PROGRAM
RECOMMENDATIONS TO HIT THE 5% TARGET
DEPARTMENT OF AGRICULTURE
(in millions of dollars)

		FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	FY 1996 Agency Request	FY 1996 PAD Recom.	FY 1996 Potential Reductions	FY 1996 Potential Reduc . less Pad Recom.
Cooperative State Research Service	BA	483	498	498	498	498	513	498	399	-100
Extension Service	OL								(73)	-73

Reduce formula grants by 25% from the PAD REC. (Note: figures are an additional savings to the above option for these programs) Change CSRS to a grant to States that have 1862 institutions.

		FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	FY 1996 Agency Request	FY 1996 PAD Recom.	FY 1996 Potential Reductions	FY 1996 Potential Reduc . less Pad Recom.
SCS Conservation Operations	BA	577	591	638	587	617	656	636	606	-30
	OL	580	575	628	582	630	645	624	594	-30

Levy new user fees for technical assistance that is not of Federal benefit. Also, charge for information and products now provided free. Fees for techncial assistance that provides greater private than Federal benefits, includes soils interpretations for commercial building purposes, homesite services and irrigation assistance, rangeland management and agricultural waste managment, where there is no potential water pollution.

		FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	FY 1996 Agency Request	FY 1996 PAD Recom.	FY 1996 Potential Reductions	FY 1996 Potential Reduc . less Pad Recom.
SCS Conservation Operations	BA	577	591	638	587	617	656	636	616	-20
	OL	580	575	628	582	630	645	624	604	-20

SCS estimates that 1,130 staff years will be spent on conservation compliance plan revisions. An average fee of $35 per plan revision would yield $20 million in savings (about one-third of the SCS estimated costs).

		FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	FY 1996 Agency Request	FY 1996 PAD Recom.	FY 1996 Potential Reductions	FY 1996 Potential Reduc . less Pad Recom.
Farmers Home Administration	BA	114	148	107	94	107	125	111	56	-55
Farm Loans	OL	108	139	108	95	108	124	112	59	-53
Direct loans	LL	1098	1015	780	921	780	827	616	308	-308

50% cut in direct loans. Reduces subsidies to high-risk borrowers.

		FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	FY 1996 Agency Request	FY 1996 PAD Recom.	FY 1996 Potential Reductions	FY 1996 Potential Reduc . less Pad Recom.
State and Private Forestry......................	BA	165	165	158	161	158	195	195	179	-16
Cooperative Fire Management	OL	160	165	159	162	158	190	190	176	-14

Fund Cooperative Fire Management program at the FY 1995 Request. This funding level will limit the Federal role to providing technical assistance to States. S[illegible] financial assistance funds would be eliminated.

POTENTIAL REDUCTIONS TO DISCRETIONARY PROGRAM
RECOMMENDATIONS TO HIT THE 5% TARGET
DEPARTMENT OF AGRICULTURE
(in millions of dollars)

		FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	FY 1996 Agency Request	FY 1996 PAD Recom.	FY 1996 Potential Reductions	FY 1996 Potential Reduc. less Pad Recom.
Forest Service Land Acquisition............	BA	62	64	64	65	64	16	65	16	-49
	OL	86	64	65	65	65	26	65	26	-39

Fund Forest Service land acquisition (part of the Land and Water Conservation Fund) at the USDA Request level. Significant land acquisition and "stewardship" occurs through other Forest Service activities, such as its land ownership management program that acquires high priority lands through land exchanges.

Total Reductions		
	BA	-862
	Outlays	-550
	Loan Level	-784

MAJOR OUTYEAR CHANGES FROM A HARD FREEZE
DEPARTMENT OF AGRICULTURE
(in millions of dollars)

Proposal		FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Planning Guidance................................	BA	10,273	10,329	10,253	10,300	N/A
	OL	10,213	10,311	10,314	10,389	N/A
Agency Request....................................	BA	11,156	10,691	10,598	10,613	10,664
	OL	10,391	10,193	10,267	10,392	10,460
PAD Recommended Level....................	BA	10,506	10,329	10,253	10,300	10,350
	OL	10,213	10,311	10,314	10,389	10,450
Differences between PAD Recommended Level and Planning Guidance:						
'	BA	233	0	0	0	N/A
	OL	0	0	0	0	N/A

Increase above Planning Guidance BA in FY 1996 will result in outyear outlays that can be absorbed by additional estimated USDA streamlining savings.

There is a potential outyear issue if the Forest Service is required to cover the costs of buying out timber costs canceled due to protection of endangered species habitat, such as the marbled murrelet. Potential costs could reach $200 million.

DISCRETIONARY ISSUE PAPER #1
DEPARTMENT OF AGRICULTURE
(in millions of dollars)

ISSUE: Should the Privatization of the Rural Telephone Bank (RTB) be aggressively pursued in FY 1996?

PREPARER/EXT: Stephen Frerichs/54796

	FY 1993	FY 1994	FY 1995		FY 1996			
	Actual	Actual	Pres. Request (FY95BUD)	Enacted	Pres. Request (FY95BUD)	Agency Request	PAD Recom.	Recom. less Request
BA/OB..........	9	9	9	9	10	19	0	-18
OL.............	8	9	9	9	10	10	1	-9
Loan Level.....	175	200	175	175	175	350	350	0

OPTION 1: Begin privatization in FY 1996, by retiring 51 percent of the Government-held "Class A" stock. Keep the RTB "on-budget" until 100 percent of the Class A stock is retired, but allow the RTB to use its earnings from the liquidating account to finance new loans and/or retire Class A stock (PAD REC.).

OPTION 2: Retire the statutory minimum amount of Class A stock in FY 1996 and the outyears, resulting in the retirement of 51 percent of the Class A stock by 2030.

DESCRIPTION OF ISSUE: The Rural Telephone Bank (RTB) was established in 1971. It provides a supplemental source of financing to the wealthiest telephone borrowers of the Rural Electrification Administration (REA), including subsidiaries of ALLTEL and CONTEL. The RTB's charter was structured with eventual privatization in mind, along the lines of the Farm Credit System (now a Government-sponsored enterprise). The law provides that until 51 percent of RTB's Class A stock (seed capital to start the Bank, funded through appropriations) is retired by private RTB stockholders or through use of RTB equity, the

RTB is an agency of the United States, subject to credit refrom procedures and to the supervision and direction of the Secretary of Agriculture, and authorized to use REA's facilities and employees. Once 51 percent of the Class A stock is retired, the Bank's charter sets forth that the RTB is no longer an agency of the Federal Government, but is an "instrumentality" of the Government, no longer subject to the supervision and direction of the Secretary of Agriculture, and no longer able to use REA facilities and resources without cost.

The RTB Charter requires that beginning in FY 1996, a minimum amount of Class A stock be retired to initiate the privatization process. At the minimum rate of retirement, 51 percent would be retired by the year 2030. Once 51 percent has been retired, the membership of the RTB board shifts from a majority of Federal members to a majority of private stockholder members. The board has the authority to regulate the manner in which the RTB's business shall be conducted, its stock issued, held and disposed of, and its property transferred.

Even though RTB control changes hands when 51 percent of the Class A stock is retired, partial ownership (51 percent private, 49 percent Federal) would likely require that the RTB remain on-budget. Once 100 percent of the Class A stock is retired, the RTB would be completely private and off-budget. Remaining on-budget, according to BRD, implies that the accounting and budgeting rules of credit reform should still apply to the RTB even though, by statute, the Bank is no longer under Federal control. USDA argues that the RTB cannot function as a private entity under credit reform rules because credit reform restricts the RTB's ability to use its earnings from old loans to make new loans.

Prior to the 1990 enactment of credit reform, the RTB's existing loan portfolio returned sufficient earnings to finance new lending without borrowing from Treasury. The RTB was a portfolio lender. That is, the RTB obtained funds from depositors and or investors (Treasury and private stockholders), paying them a fee (i.e, interest or dividends) for the right to lend those funds to others. To generate earnings, the RTB charges borrowers interest at a spread over its cost of funds.

The enactment of credit reform bifurcated the RTB's portfolio into a "liquidating" account (loans obligated prior to FY 1992) and a "financing" account (loans obligated after FY 1991). All new loans, post FY 1991, were financed through subsidy appropriations and borrowings from Treasury. Since FY 1992, the RTB has not been able (or needed) to access the earnings from the liquidating account (roughly $70 million in FY 1994) and is no longer a portfolio lender. These earnings, however, have been accruing in a separate "equity fund" to be used to retire the Class A stock (FY 1994 balance is roughly $200 million). By FY 1996, a sufficient balance will accrue in the equity fund to retire 51 percent of the Class A stock.

Credit reform and a 1987 legislative change that tied the RTB borrower interest to a lagged, moving average Treasury rate, are effectively resulting in the slow disappearance of RTB equity as the older, higher interest rate, loans are paid off and replaced by new loans financed by new Treasury borrowing. USDA estimates that if this process continues, in 10-15 years the RTB will have insufficient earnings to redeem the Class A stock and make new loans as a private entity.

PERFORMANCE INFORMATION: RTB loans are made in conjunction with other REA telephone loans and the REA does not have performance indicators soley for the RTB. The following describes all REA telephone loan programs.

To date, REA has made almost $11 billion in loans to over 1,000 rural local exchange carriers across the United States. On average, for every dollar borrowed from REA and invested in telecommunications plant, borrowers also invested $4.5 of their own funds. These carriers have produced a rural telephone network of 1 million miles of telephone line to 6.1 million subscribers, of which 98% now have one-party service as opposed to party-line service.

	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996 Request
Number of subscribers to receive improved service	92,892	66,702	70,046	72,023	105,678
Number of new subscribers	32,187	8,488	6,204	5,964	9,847
Loans to start-up companies	9	8	3	2	3

ANALYSIS: The financial accounting structure dictated by credit reform will result in the liquidation of existing RTB earnings and equity. Without access to its earnings, the RTB cannot become a viable private entity. The Administration has, to some degree, successfully redirected federal subsidies associated with REA lending programs to target borrowers based on need, rather than a "first-come-first-served" basis. Graduation of the RTB from a Federally subsidized program to a private bank would continue this policy of only subsidizing those most in need of assistance. However, as time erodes the RTB's equity and earning capacity, privatization would become a more expensive option. The credit reform law states that it is intended to be a budgeting and accounting change, not an alteration a basic program operations. <u>If credit reform guidelines were interpreted to permit the RTB to access its earnings, as presumed in the RTB statute, the eventual full privatization of the RTB could be greatly accelerated</u>.

<u>RECOMMENDATION</u>: Option 1.

Currently, the RTB is sufficiently healthy enough to retire 51 percent of the Class A stock and use its earnings to become a viable, private entity. This could occur as early as FY 1996.

DISCRETIONARY ISSUE PAPER # 2
DEPARTMENT OF AGRICULTURE

ISSUE: How should FTE be allocated to USDA for providing major administrative support services, such as Thrift Savings Plan employee loan processing, to other agencies.

PREPARER: Frank Stidman/ext 5689

OPTION 1: Create a central "bank" of FTE to assign to USDA for uncontrollable growth in service demands by existing clients due to legislation or regulation. The "bank" would be created by "taxing" each major agency during the budget formulation process. However, USDA must negotiate with **new** clients for FTE transfers from the serviced agency to USDA, when new services are requested.

OPTION 2: Require USDA to renegotiate FTE allocations annually with serviced entities to support FTE growth related to service demands for any reason.

OPTION 3: Require USDA to absorb increases in service requirements through efficiencies and allow FTE transfers from serviced entities only for new services.

OPTION 4 (PAD Rec.): Allocate 120 FTE to USDA over four years for the TSP issue at this time; address the broader "bank" issue at a later time in a government-wide context.

DESCRIPTION OF ISSUE: The current process of assigning FTE targets to comply with the Workforce Restructuring Act is unfavorable to agencies, such as USDA, that provide administrative support services to other agencies. For example, USDA services the Thrift Savings Program (TSP) government-wide. Since the law allows employees to borrow funds from their TSP's, service demands are rising every year and more FTEs are needed to provide these services. The current process requires that USDA absorb increases in service levels. USDA expects TSP workload demands to rise by 120 FTEs over the next 5 years(255 FTE were used for TSP activities in FY 1994.) It has suggested that another agency may have to take over the TSP if they are not granted FTE relief. This development would discourage other cross servicers, such as the Department of the Interior, that are contemplating major expansions of cross servicing activities. USDA currently provides payroll services to almost 500,000 civilian employees. The government has enjoyed major savings from USDA's cross servicing activities.

PERFORMANCE INFORMATION: USDA has consistently reduced the cost of payroll services, both in constant dollars and nominal dollars. In 1987, the annual unit cost to payroll an employee was $115. In 1995, USDA's annual charge per employee will be $97. If USDA had simply kept pace with inflation since 1987, the unit charge would have been $150 per employee. We need to encourage and reward this type of performance.

ANALYSIS:
Option I- Create a central FTE bank:

Pro- A central bank would provide OMB with a potent mechanism to encourage and reward specific behaviors such as providing efficient or vital cross servicing activities. It also avoids annual struggles between USDA and the serviced agencies due to uncontrollable service increases, while still placing responsibility on the serviced agency for expanded or new service requests.

Con- OMB would be responsible for administering an annual "FTE tax" on each agency to "fund" the central FTE bank. This could become another area of conflict among the agencies, in terms of allowable growth exempt from basic FTE limitations.

Option 2- USDA negotiates FTE allocation with agencies served:

Pro- OMB would not be directly involved in negotiations among agencies for growth. Serviced agencies would examine the legitimacy of USDA growth.

Con- This process could lead to annual acrimony between USDA and the serviced agencies for factors beyond the control of USDA. Ultimately, it could erode the cross servicing program by discouraging new service providers from entering the market or USDA expanding its range of services.

Option 3- USDA absorbs increases in workload:

Pro- Would encourage USDA to continually find ways to become more efficient while still allowing new service growth.

Con- May punish USDA if law or regulation requires an unusually high workload growth which cannot be offset in one year. This could lead to poor quality service and discourage expansion of service.

Option 4- Allocate 120 FTE at this time; review government-wide issue later.

Pro- Would provide immediate relief to USDA without the need to administer a bank. Allows broader analysis at a later time since this issue also affects other cross servicers such as Department of the Interior.

Con- Allocation relies on unfilled FTE in other agencies or activities to stay within the limits of the Workforce Restructuring Act.

RECOMMENDATION: Option 4. The issue of allocating FTE to cross servicers needs to be reviewed and decided within a government-wide context. The government-wide size of the problem is not currently known either in the context of current needs or in the context of increasing cross servicing trends over the next few years. We need to encourage cross servicers with thoughtful and effective resource allocation policies. We do not expect that 30 FTE allocated in FY 1995 will be a major problem toward overall limitations.

INFORMATION PAPER

Meeting the Administration's GATT Commitments for USDA Spending on U.S. Agriculture

- In the September 30th Sec. Espy/Director Rivlin letter, the Administration committed to propose $600 million additional funding for USDA GATT-permissible ("greenbox") agriculture programs over "the next five years". The increase in program level is to consist of direct and discretionary spending, direct credits, and credit guarantees. The effort can include USDA's Market Promotion Program (MPP), and is designed to benefit a wide range of commodities including dairy, oilseed products, and high-value products, and support development of alternative uses for farm products domestically and overseas.

- For this greenbox spending, OMB determined that the savings of $166 million generated by recently enacted crop insurance reform and designated as an offset for this increased program level, will be credited to the USDA's Commodity Credit Corporation (CCC) in FY 1995, but is "no-year" funding that need not be spent only on FY 1995 program activity.

- The Administration also agreed on September 30th to maintain total discretionary spending on USDA "agricultural programs" at or above the FY 1995 level in the FY 1996 and FY 1997 Budget requests to Congress. Agricultural programs were defined as all discretionary USDA programs except the domestic feeding programs.

- The chart below shows that the NRES PAD Recommendation for USDA in FY 1996 proposes a program that meets the total program level target of the September 30th commitment.

- The attached table shows options for fulfilling the Administration's greenbox commitment. The table includes informal suggestions by USDA policy-makers.

- Further spending needed to completely fulfill the commitment is increased funding for the MPP and CCC direct credits. However, this need not be proposed for FY 1996. Any change might be supported in the 1995 farm bill deliberations. Moreover, performance measures should be linked to new funding for MPP, as discussed in the TPCC crosscut.

- Increased funding for the Export Enhancement Program (EEP) in FY 1995 is regarded by some as an implicit part of the Administration's commitment. NRD is exploring possible use of the crop insurance savings for this purpose.

o A further allocation that would be popular with commodity groups is for expanded use of the Food for Progress (FFP) program . This authorization change might be supported in the 1995 farm bill.

USDA Discretionary Spending
(dollars in millions)

		FY 1995 Enacted	FY 1996 PAD Rec.	FY 1997 PAD Rec.
USDA domestic discret. except domestic feeding	BA	$9,640	$10,506	$10,329
	OL	10,013	10,213	10,311
P.L. 480 (guidance levels FY '96 & '97)	BA	1,246	1,200	1,200
	OL	1,362	1,300	1,200
TOTAL	**BA**	**10,886**	**11,706**	**11,529**
	OL	**11,375**	**11,513**	**11,511**
Increase over FY 1995 Enacted:	BA		820	643
	OL		138	136

This chart shows that the commitment will be met as long as P.L. 480 is not reduced more than $820 and $643 million in BA, respectively, for the FY 1996 and 1997 request.

Greenbox Options

(Increments to the base, in millions of dollars)

	FY 95 Base	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 95-99
PAD Rec.							
AARC loan program (LL) 1/	0	0	25	25	25	25	100
Cooperator 2/	20	0	1	1	1	1	4
FAS Tech. Assist. 3/	98	0	5	5	5	5	20
GSM Suppliers Credits (LL) 4/	0	100	100	100	100	100	500
GSM Facilities Credits (LL) 5/	0	100	100	100	100	100	500
Total Program Level:	**118**	**200**	**231**	**231**	**231**	**231**	**1124**

(LL =LOAN LEVEL)

	FY 95 Base	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 95-99
Additional Options							
EEP 6/	800	153	0	0	0	0	153
MPP 7/	85	0	25	25	25	25	125
Food for Progress (LL) 8/	90	0	75	75	75	75	375
State MPP grants 9/	0	0	30	30	30	30	150

1/ Alternative Agricultural Research and Commercialization, direct loans.
2/ USDA cost-share grants to commodity groups for overseas activities.
3/ USDA direct support for U.S. exporters needing guidance.
4/ CCC short-term credit guarantees for foreign importers.
5/ CCC credit guarantees for capital goods, such as port facilities.
6/ Export Enhancement Program, subsidies. Authorized level is $1 billion.
7/ Market Promotion Program, grants to commodity groups. Authorized level is $110 million.
8/ Humanitarian donations overseas.
9/ Grants to individual States to promote farm exports.

SUMMARY OF PAD LEVEL DECISIONS NOT COVERED IN ISSUE PAPERS
DEPARTMENT OF AGRICULTURE
(in millions of dollars)

		FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	FY 1996 Agency Request	FY 1996 PAD Recom.	FY 1996 Recom. less Request
Water & Wastewater Loans	BA	750	937	827	854	827	1,400	1,100	-300
& Grants/Rural Housing Loans	OL	503	687	649	696	764	734	789	55
Direct loan level:	LL	2,145	2,645	2,576	2,106	2,576	2,000	2,125	125

PAD recommendation reduces request for water and wastewater loans and grants 2% and 25% above the FY 1995 enacted level, respectively, and restores single-family direct loans to the FY 1995 enacted level.

		FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	FY 1996 Agency Request	FY 1996 PAD Recom.	FY 1996 Recom. less Request
Conservation Programs	BA	1,221	1,097	788	841	816	973	825	-148
	OL	1,132	1,267	977	1,024	964	1,025	953	-72

PAD recommendation reduces Agricultural Conservation Program by $50 million (-50%), and eliminates the Water Bank Program (same as FY 1995 enacted), Colorado River Salinity Control Program (-$8 million) and snow survey water forecasting (-$6 million). Increases over FY 1995 enacted levels, but less than the agency request include: Conservation Technical Assistance (+$32 million) and Watershed and Flood Prevention Operations (+$40 million).

		FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	FY 1996 Agency Request	FY 1996 PAD Recom.	FY 1996 Recom. less Request
Forest Service/Firefighting/	BA	423	439	447	450	448	398	463	65
Land Acquisition	OL	449	438	452	454	447	391	463	72

PAD recommendation increases funding for the emergency firefighting program to the 10-year adjusted average (without the FY 1994 catastrophe) of $239 million. Fire presuppression funding is lowered to the FY 1995 enacted level of $159 million. LWCF land acquisition is increased to the FY 1995 enacted level of $65 million from the USDA request of $16 million. Reduces FTEs by 1,000 to be within guidance levels (-$45 million -- base funding not shown).

		FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	FY 1996 Agency Request	FY 1996 PAD Recom.	FY 1996 Recom. less Request
Marketing and Inspection	BA	1,034	1,049	936	1,044	936	991	1,022	31
	OL	1,070	1,024	933	1,042	931	980	1,012	32

PAD recommendation provides base level funding (same as FY 1995 enacted level) for meat and poultry inspection. The recommendation makes funding for additional inspectors contingent upon enactment of authorization of overtime user fees (estimated fee receipts are $61 million in FY 1996). The PAD recommendation proposes a decrease of the U.S. screwworm eradication cost-share with international partners.

SUMMARY OF PAD LEVEL DECISIONS NOT COVERED IN ISSUE PAPERS
DEPARTMENT OF AGRICULTURE
(in millions of dollars)

		FY 1993	FY 1994	FY 1995		FY 1996			
		Actual	Actual	President's Request (FY 95Bud)	Enacted	President's Request (FY 95Bud)	Agency Request	PAD Recom.	Recom. less Request
International Affairs and Commodity Programs	BA	849	804	786	803	821	850	779	-71
	OL	831	819	786	805	834	848	778	-70

PAD recommendation increases Foreign Agricultural Service ($5 million) and restores agency request cut in the Market Promotion Program. Holds salaries and expenses of Agricultural Stabilization and Conservation Service to FY 1995 enacted level (-$21 million from request) and eliminates the portion of the mandatory Livestock Feeding Program that would be duplicative with enacted crop insurance reform.

Agricultural Research Programs	BA	1,519	1,572	1,550	1,569	1,513	1,642	1,572	-70
	OL	1,479	1,547	1,552	1,561	1,519	1,606	1,595	-11

Hold formula grants to States and unversities to FY 1995 enacted levels. Reduce low priority Federal research and propose additional laboratory closures as part of USDA streamlining. Make selected reductions in funding to States for pesticide research and for higher education grants (still funded at above FY 1995 budget and enacted levels).

Infoshare Computer Initiative	BA	11	29	90	18	89	59	59	—
	OL	11	29	81	17	89	51	51	—
Mandatory (CCC) Funding:	BA	—	—	—	27	—	150	100	-50
	OL	—	—	—	27	—	129	86	-43

Maintain discretionary funding at request level but reduce maximum amount that can be funded from mandatory funds of the Commodity Credit Corporation. While Infoshare is an important component of USDA field office streamlining and improved customer service, its planning and development have been criticized by GAO and OMB, and only recently have involved top agency officials.

Total, Discretionary................................	BA	5,807	5,927	5,424	5,579	5,450	6,313	5,820	-493
	OL	5,475	5,811	5,430	5,599	5,548	5,635	5,641	6

ASSESSMENT OF FINANCIAL MANAGEMENT ACTIVITIES
U.S. DEPARTMENT OF AGRICULTURE

This assessment is based on the OFFM guidance for reviewing an agency's Financial Management Status Report and 5-Year Plan, with particular attention to areas of concern at USDA.

Summary

USDA's CFO for the first time since the passage of the CFO's Act has prepared a plan that deals with long-standing problems in customer service and financial management systems. OMB's challenge is to help maintain the current momentum in the Department and among the bureaus.

Vision Statement

USDA's vision statement emphasized four basic improvement approaches:

-- Financial management should be customer oriented and involve a full partnership with program managers. The financial management culture must be adapted to customer needs using performance measures and customer feedback to improve program delivery.

-- Strong emphasis was placed on creation of an effective financial management community (which, considering its fractious history within USDA, is a critical ingredient to success.) The community is being created by using Financial Interest Groups to focus on problems common to the Department and the bureaus. Six separate groups are dealing with human resource issues, coordinating consolidated financial statements, design of the central primary accounting system, financial performance measures, modernizing financial processes, and Government performance and results reporting.

-- Managerial accountability should be supported by providing timely, accurate financial information in concert with performance information to allow managers to measure their and others' performance.

-- A single integrated financial system, supported by state-of-the art technology, is the key to supporting overall improvement in the Department's financial management.

Goals and Strategies

The 5-Year plan adopts the four improvement approaches stated above as basic goals. The strategies for achieving a cohesive financial management community and a single system are specific, and reasonable in terms of the intended accomplishment. However, strategies related to customer service and accountability are somewhat indefinite (e.g. the strategy for "accountability" is to create timely, accurate financial information, without any notion as to how timeliness or accuracy would be improved.) Nevertheless, community creation and systems development are the appropriate short term priorities. USDA is making significant strides to improve these two areas.

The plan does NOT deal with streamlining in any specific way. However FmHA recently received approval for a streamlined approach to management control reviews and the "community" lays important groundwork for encouraging and achieving future streamlining efforts, throughout USDA's agencies.

Financial Systems

USDA's financial systems have been on OMB's high risk list for two years (and are expected to remain on the list until FY 1997), although the basic problems existed for a decade or more. Aged systems originally built in a stovepipe environment (systems don't talk to each other) produce untimely and unreliable data. Some major systems are almost 30 years old, such as CCC's primary accounting system. The National Finance Center declared a moratorium on new customers because of aged(70's) software and processes. USDA agencies can not and do not rely on the central administrative system for fund control information. Corrective action has been slow, pending development of an effective management structure. The CFO now supervises a relatively narrow range of activities in the Department and has not been empowered. Nevertheless, some systems progress has occurred.

USDA maintains one primary accounting system for administrative activities (payroll, travel, procurement) and six "program" accounting systems for its agency specific activities including: FmHA loans, FNS benefit payments, Forest Service timber sales, FCIC insurance activities, ASCS conservation payments and CCC activities. Work on the central administrative system is proceeding well, pending a vendor protest, and is leading the way in modernizing the CCC and Forest Service systems by providing a way to buy common accounting software. Conversely, FmHA and REA continue to lag in their modernization efforts. The new reorganization bill may change this situation, in the long term, since accounting responsibility for certain loan programs will eventually be transferred to the new Farm Service agency and several other new agencies.

We estimate that the USDA systems will remain on the high risk list at least until the end of fiscal year 1997, when the new primary central system will have been in operation for one year and substantial modernization will have been completed at the National Finance Center. The exact effect of a major IT modernization project--INFOSHARE-- is not known since INFOSHARE is still trying to define its direction. However we anticipate that the hardware platform will be common to accounting and general processing needs and that information needs outside or not existing in the finance systems will increasingly be linked to a general data management mechanism within USDA. Since accounting requirements definitions are well ahead of INFOSHARE, they are likely to drive short term hardware decisions.

Audited Financial Statements

USDA submitted its audited FY 1993 financial statements to OMB on October 21,1994. All program systems financial statements received clean audit opinions except the Forest Service, which received a qualified opinion due to "pervasive" errors in fixed asset balances and inability to validate accounts receivable. The Department's consolidated financial statements also received a qualified opinion because of continuing control and system documentation problems as well as sizable unsubstantiated balances. The audit results were an improvement since both Forest Service and the Department received adverse opinions last year. The Inspector General's office is pleased with USDA's overall progress in improving financial statements since last year. The Department characterizes the auditors as significantly improved in terms of a cooperative attitude to mutually solve-- not create-- problems.

Other Issues

The National Finance Center(NFC) in New Orleans is a major cross-servicer of other domestic federal agencies, particularly for payroll activities. They handle payroll for about 400,000 non-USDA employees each pay period. NFC also services the Thrift Savings Plan(TSP) for ALL agencies. Streamlining has presented some difficult challenges, since TSP loan servicing activity is requiring increasing FTE resources without a governmentwide method to allocate these resources. This problem will increasingly vex all cross-servicing entities until a governmentwide solution is formulated.

USDA is a leader among the departments in design and management of financial information. They have published a financial data dictionary and secured agreement from all bureaus to abide by the dictionary. A departmental mechanism has also been established to control future changes to the information repository, so that bureaus will not stray from the established information conventions. This is a very important step in achieving the goal of reliable departmentwide information and designing systems which can talk to each other.

MAJOR SYSTEMS INITIATIVES FY 1995-96
U.S.DEPARTMENT OF AGRICULTURE

Department/National Finance Center:

- Selection, testing, customizing and implementation of the new central administrative accounting system. (FY 96--$3.9M)

- Design and implement new software and streamlined operating processes for payroll, travel and procurement payment systems. (FY 96--$4.5M)

Commodity Credit Corporation:

- Selection, testing, customizing and implementation of a new corporate accounting system.(FY 96--$5.7M)

- Testing three different travel manager commercial software packages to determine best software for corporate and likely USDA needs. (FY 96--$.3M)

Federal Crop Insurance Corporation:

- Design and implement a cost accounting system to support proper premium setting. (FY 96--$.3M)

- Improve the utility of the corporate general ledger by reengineering its software to use modern information structures. (FY 96--$1.2M)

Farmers Home Administration:

- Purchase and install an escrow management system to allow FmHA to collect and account for escrow funds. (FY 96--$12.9M)

- Redesign the Guaranteed Loan Accounting System to provide for field office terminal entry and inquiry. This improvement will eliminate many processing delays.(FY 96--$2.3M)

SUMMARY OF BUDGET AUTHORITY AND FTE ALLOCATIONS
TO FINANCIAL MANAGEMENT ACTIVITIES
U.S. DEPARTMENT OF AGRICULTURE
FISCAL YEARS 1995 AND 1996

Functional Area	Fiscal Year 1995 BA	Fiscal Year 1995 FTE	Fiscal Year 1996 BA	Fiscal Year 1996 FTE
Credit Management	39,550	544	38,257	535
Asset Management	612,548	10,483	724,992	10,372
Accounting and Reporting	101,151	1,639	103,689	1,680
Financial Systems	60,384	423	71,564	486
Budget and other	24,674	489	23,599	447
Adjustments 1/	-35,232	-386	-36,593	-371
Total	803,075	13,192	925,508	13,009

1/ adjustments allow for clerical functions that are initially counted in the asset management function, but perform program duties outside of asset management.

Department of Agriculture
Management Scorecard

PERFORMANCE MEASUREMENT	
GPRA Pilots	😐
Status of Strategic Plan	😐
Performance Measures	😐
STREAMLINING	
Restructuring/Reengineering	☹
Overall FTE Goals	😐
Targeted Populations	☹
HIGH RISK/FMFIA	
Central Accounting System	😐
FmHA Loan Systems	☹
NPR REINVENTION LABS	
Status of Lab Activities	😐
ELECTRONIC COMMERCE	
Status of Implementation	😐
INFORMATION	
Infoshare/Reengineering	☹
Overall Status	☹

<u>Key</u>

☺ Significant Progress toward Achieving Goals

😐 Active Efforts Underway to Achieve Goals

☹ Reservations About Adequacy of Progress and/or Plans for Achieving Goals

Department of Agriculture
Management Scorecard (cont'd)

FINANCIAL MANAGEMENT ORGANIZATION	
Implement CFO Organization	☹
Quality of Status Report/Five-Year Plan	☺
FINANCIAL PERSONNEL MANAGEMENT	
Career Development Program	😐
Personnel Recruiting Program	😐
FINANCIAL SYSTEMS	
Single Integrated System	☹
Standard Information Architecture	😐
Timely Useful Management Reports	☹
MANAGEMENT CONTROLS	
Active Control Program	☹
Assurance That Controls in Place	☹
Corrective Action Timely	😐
ASSET MANAGEMENT	
Delinquency Prevention	😐
Effective Collection of Debt	☹
Modern Cash Handling	😐
AUDITED FINANCIAL REPORTS	
Ability to Issue Accurate Reports	😐
Quality of Audit Opinion	☺
Quality of CFO Report	😐
INSPECTOR GENERAL	
Status of Recommendations	😐
Financial Audit Program	☺

Key

☺ Significant Progress toward Achieving Goals

😐 Active Efforts Underway to Achieve Goals

☹ Reservations About Adequacy of Progress and/or Plans for Achieving Goals

High Risk Area	Progress to Date and Next Steps	Assessment[1]
Farmers Home Administration (FmHA): Housing and Farm Loans programs lack adequate oversight and internal controls: High total delinquencies ($9B) and high delinquency rates (17%) in 1993. **Single-family Housing:** - Interest credit formula provides an incentive to the borrower to overbuy. - No automated delinquency system in place. Borrower's accounts are not uniformly and consistently serviced and follow-up not timely. - No escrow system is in place. FmHA advances funds to pay delinquent taxes and insurance, often creating a delinquent account as a result of the servicing action. - Wage matching is sporadic, resulting in interest credit overpayments. **Multi-family Housing:** - Fraud, waste and abuse by developers at all construction phases due to a lack of oversight. - Lack of prepayment ability in conjunction with Low-income housing tax credit result in a disincentive for project managers to maintain the project. - Project operating expenses are overstated in some projects resulting in tenant and the government paying unnecessary rent.	A joint OMB/USDA task force was formed to identify FmHA/RDA management and budget vulnerabilities and recommend ways to improve loan management. A draft task force report was issued in August 1994 and recommendations in the report were included in the FY 1996 Budget submission from the Department. *Next steps:* Many of the task force recommendations will be included in the PAD recommendation and incorporated into the FY 1996 Budget. Some of the recommendations will require legislative and regulatory changes while others imply specific funding requirements for FY 1996. The Task Force will now begin to focus on vulnerabilities and weaknesses within the FmHA accounting and computer systems. The report is scheduled to be finished in spring 1995.	2

PROGRESS REPORT HI ! AREAS
DEPARTMENT OF AGRICULTURE

High Risk Area	Progress to Date and Next Steps	Assessment[1]
Food and Nutrition Service (FNS): Food Stamp illegal trafficking for cash, drugs, and weapons; and fraudulent retailer activity. 1994 budget includes $25B for Food Stamp Program. *At risk:* ability to detect both food stamp trafficking by individuals and fraudulent retailer activity, with an estimate of over $100M in benefits diverted annually.	USDA/FNS developed a corrective action plan with OMB approval. Steps included..... FNS has completed all the steps on the corrective action plan and OMB is waiting for a memorandum from the agency which details their progress. They continue to keep trafficking a priority item for the agency. *Next steps:* Unless strong legislative action is taken to limit the retail stores participating in the program, trafficking will always be an issue of concern and an area of risk for the Food Stamp program. With the number of states participating in EBT growing, more and more data will become available on the actual size of the trafficking problem and there will continue to be press on this issue. <u>Despite this, we recommend removing trafficking from the high risk once FNS has completed a report which details the action they have taken with regards to the corrective action plan.</u> The agency has taken the measures available to them to strengthen their management of this problem. Some agency staff would prefer to keep trafficking on the list in order to leverage funds and attention for the problem from within the agency.	1
Federal Crop Insurance Corporation (FCIC): overpayment of claims. FCIC has a $1B annual operating level. *At risk:* $100M in losses paid to reinsurance companies.	FCIC completed implementing financial evaluation standards for reinsurance companies' annual financial statements. They also successfully used an error rate system to evaluate insurance company performance. *Next steps:*No further steps needed. OMB is recommending deletion of this item from the high risk list	D1

High Risk Area	Progress to Date and Next Steps	Assessment[1]
Department-wide financial systems: Aged and outmoded systems, inadequate financial system controls, ineffective central systems planning and installation, and inaccurate financial reports. USDA administers programs which had authorized budget authority of $68.1B in 1993 and direct loan authority of $11B. *At risk*: loss or misapplication of budget resources due to unreliable management information.	During the past 12 months, the quality of audited financial statements improved measurably. No bureau received an adverse opinion. Only the Forest Service and Departmental statements received qualified opinions. The Department is sponsoring inter-bureau focus groups to concentrate on solving specific problems such as producing financial statements. The CFO also successfully completed operations capability testing on commercial off-the-shelf systems software to be used as the foundation for the new departmental accounting system. Projects to install new accounting systems in Forest Service and ASCS are tied to this software. However internal disputes over which functions should accrue to the CFO threaten long term progress. Also, failures in the INFOSHARE project affect the technical platform for the new system aa well as the future quality of financial management information that will be generated in field offices. *Next steps*: The department needs to select a foundation system and begin implementation over the next year. Cooperative work needs to continue with the Inspector General to remove the causes of qualified opinions on financial statements. The new systems architecture required by the reorganization needs to be defined and tied conceptually to the foundation system as a cooperative venture between the CFO and the program bureaus. INFOSHARE needs to provide early focus on information integration needed to support the foundation system. OMB has allocated additional resources to support these improvements.	2

Departmentwide ADP management(INFOSHARE): Departmental planning for managing information integration projects, process reengineering projects, ADP procurement to support USDA reorganization in field offices and headquarters is not effective. *At risk:* USDA's INFOSHARE managers estimate that procurement costs for contracts, software and hardware will exceed $2.6 billion over the life of the project. These procurements could be wasted or marginally effective if they do not meet the ultimate needs of USDA for information processing, functional improvement, and compatible ADP platforms throughout USDA.	INFOSHARE is intended to improve operations and delivery of service through business process reengineering and the acquisition and development of integrated information systems. Management of this project has been the subject of unfavorable reports by the GAO and the House Committee on Government Operations. As a result, GSA recently withdrew their delegation of procurement authority from USDA's project managers. The basic concern expressed in these reports is USDA's early emphasis on hardware procurement prior to completing a business process analysis and a well analyzed concept of what technical architecture will meet USDA's needs. *Next steps:* (1) Involve program Under/Assistant Secretaries in directing the project under the leadership of an executive level manager and a well qualified project manager, (2) assemble and train a team in business process review skills, (3) establish an independent advisory group to expand available technical and managerial expertise, (4) start business process analysis and tie it to USDA's reorganization in real terms such as linking program content in new combined offices with the changing role of staff, technology, and supporting systems (5) identify short term hardware and software needed to prevent disruption of service, and (6) defer all other hardware and software procurements until after business process and requirements analysis have been completed.	A

HUMAN RESOURCES

USDA
FOOD AND CONSUMER SERVICES

Fiscal Year 1996 Budget

Office of Management & Budget
Director's Review

Human Resources Division
Income Maintenance Branch
November 2, 1994

FOOD AND CONSUMER SERVICES
FY 1996 DIRECTOR'S REVIEW
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Director's Review for Discretionary Spending:
November 2, 1994

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SUMMARY OF DISCRETIONARY PROGRAMS
DEPARTMENT OF AGRICULTURE/FOOD AND CONSUMER SERVICES
(in millions of dollars)

		FY 1993	FY1994	FY 1995		FY 1996			
		Actual	Estimated	President's Request (FY95 BUD	Enacted	President's Request (FY95 BUD	Agency Request	PAD Recom.	Recom. less Request
FOOD AND CONSUMER SERVICES									
Special Supplemental Food Program for Women, Infants and Children (WIC)	BA	2,860	3,210	3,564	3,470	3,914	3,914	3,820	(94)
(Issue Paper #1)	OL	2,846	3,222	3,538	3,451	3,896	3,938	3,851	(87)

Explanation/Comments:

PAD recommends a $ 350 million increase over FY95 enacted. This is a $ 94 million reduction from the agency request.

WIC provides Federal grants to States for supplemental foods, health care referrals and nutrition education for low-income pregnant, post-partum women, and to infants and children who are found to be at nutritional risk. The Clinton Administration has pledged to achieve full funding for WIC by the end of FY96, allowing the program to serve all eligibles who apply for the program. Fully funding WIC by the end of FY96 is unlikely at the agency request level because of an increase in eligible populations and expansion constraints. The PAD recommendation reestablishes the end of FY97 as the goal for full funding in light of these new considerations. This recommendation is covered in Director's Review Paper #1 (Exhibit 10).

Commodity Supplemental Food Program (CSFP)	BA	95	105	95	85	94	41	86	45
(Issue Paper #1)	OL	77	109	95	90	94	63	100	37

Explanation/Comments:

PAD recommends a $ 6 million reduction from FY95 enacted. This is a $ 38 million increase over the agency request.

CSFP is a commodity food program for both the elderly and a WIC-like caseload (pregnant women, infants and children). The agency request is based on the unlikely assumption that the WIC-like caseload served by CSFP will decline rapidly. These assumptions are questionable and therefore the PAD recommends increasing funds for this program. This recommendation is covered in Director's Review Paper #1 (Exhibit 10).

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SUMMARY OF DISCRETIONARY PROGRAMS
DEPARTMENT OF AGRICULTURE/FOOD AND CONSUMER SERVICES
(in millions of dollars)

		FY 1993	FY1994	FY 1995		FY 1996			
		Actual	Estimated	President's Request (FY95 BUD	Enacted	President's Request (FY95 BUD	Agency Request	PAD Recom.	Recom. less Request
Food Donations for Selected Groups	BA	422	379	270	288	311	310	310	---
	OL	430	362	297	325	309	308	308	---
Food Donations on Indian Reservations	*BA*	*74*	*69*	*38*	*33*	*80*	*79*	*79*	---
Nutrition Program for the Elderly	*BA*	*151*	*150*	*141*	*150*	*141*	*151*	*151*	---
Soup Kitchens	*BA*	*32*	*40*	*50*	*40*	*50*	*40*	*40*	---
The Emergency Food Assistance Program	*BA*	*165*	*120*	*40*	*65*	*40*	*40*	*40*	---

Explanation/Comments: **PAD recommends adopting the agency request which is consistent with guidance and $ 22 million over FY95 enacted.**

The Food Donations Programs provides commodities and prepared meals directly to eligible low-income individuals. The PAD recommends (1) funding low cost nutritious meals for the Nutrition Program for the Elderly and Soup Kitchens at the FY95 enacted level and the agency request; (2) concurring with the agency request to increase BA by $ 47 million over FY95 for Food Donations on Indian Reservations in order to maintain level spending on this entitlement program. Finally, the PAD recommends adopting the agency request for The Emergency Food Assistance Program (TEFAP) which is $ 25 million below the FY95 enacted level but consistent with the President's FY95 request. This $ 40 million will provide administrative funding to local food banks which helps them distribute donated foods.

		FY 1993	FY1994	FY 1995 President's Request	FY 1995 Enacted	FY 1996 President's Request	Agency Request	PAD Recom.	Recom. less Request
Food Program Administration	BA	104	108	107	106	107	117	117	---
	OL	109	110	106	107	106	117	117	---

Explanation/Comments: Food Program Administration (FPA) represents about two thirds the cost of administering the Food and Consumer Service (FCS) programs.

The PAD concurs with the agency recommendation which would provide for a $ 5 million ADP investment and a $6 million increase for administrative costs for a total increase of $11 million.

FPA has not made ADP purchases in over five years. They have developed a sound long range strategic plan for their ADP purchases and deployment. The increase for administration is due to a recent salary upgrade in FCS field personnel which would be difficult to absorb within FPA.

SUMMARY OF DISCRETIONARY PROGRAMS
DEPARTMENT OF AGRICULTURE/FOOD AND CONSUMER SERVICES
(in millions of dollars)

		FY 1993	FY1994	FY 1995		FY 1996			
		Actual	Estimated	President's Request (FY95 BUD	Enacted	President's Request (FY95 BUD	Agency Request	PAD Recom.	Recom. less Request
Nutrition Promotion Program	BA	---	---	---	---	---	15	2	(13)
	OL	---	---	---	---	---	15	2	(13)

Explanation/Comments:

The PAD recommendation reduces the agency request by $13 million but provides $ 2 million in new spending for FY96.

The agency request proposes a new Nutrition Promotion program to be authorized in the Farm Bill which would expand the current nutrition education and research programs within the FCS and consolidate responsibilities for those activities within the new Nutrition Program. The new program would be charged with delivering and promoting nutrition education through means more effective than the current pamphlets distributed in welfare offices. These means include using popular animated characters in television spots on nutrition, incorporating cultural and age differences into nutrition messages and pulling together much of the federal, state and local knowledge and research in these areas.

While the agency's ideas about revamping and modernizing nutrition education has merit, USDA has been unable to provide sufficient information on the need and potential return for this sizable new spending. In addition, the Farm Bill proposal has not been vetted and it may be premature to fully fund a new proposal at this time. The PAD recommendation provides funding for a modest beginning towards their new efforts conditioned upon their ability to develop sound plans with rigorous goals and measures built in.

		FY 1993 Actual	FY1994 Estimated	FY 1995 President's Request	FY 1995 Enacted	FY 1996 President's Request	Agency Request	PAD Recom.	Recom. less Request
Child Nutrition Discretionary	BA	---	1	21	21	28	32	28	(4)
	OL	---	1	20	20	24	32	28	(4)

Explanation/Comments:

This account covers administration, research and nutrition education activities in the Child Nutrition program. OMB scores this spending as discretionary. The agency requests an $ 11 million increase over FY95 enacted to increase their Dietary Guidelines project by 50%. This initiative provides training and technical assistance to States and schools in their implementation of the recent changes to meal requirements in school programs (funded by Child Nutrition) since 1946. USDA had planned to require schools to comply with the dietary guidelines by 1998. The 1994 Child Nutrition reauthorization requires USDA to develop additional ways for schools to determine if their meals comply and accelerate this schedule by two years.

The PAD recommends providing a $ 7 million increase in Dietary Guidelines for technical assistance.

OMB staff analysis indicates that an additional $7 million in funds for technical assistance is sufficient to help States meet the accelerated schedule.

SUMMARY OF DISCRETIONARY PROGRAMS
DEPARTMENT OF AGRICULTURE/FOOD AND CONSUMER SERVICES
(in millions of dollars)

		FY 1993	FY1994	FY 1995		FY 1996			
		Actual	Estimated	President's Request (FY95 BUD	Enacted	President's Request (FY95 BUD	Agency Request	PAD Recom.	Recom. less Request
Food Stamps Discretionary	BA	2	11	13	19	13	22	7	(15)
	OL	---	4	5	10	13	17	11	(6)

Explanation/Comments:

This account covers administration, research, program support, electronic benefit transfer efforts, and nutrition education activities in the Food Stamp program. OMB scores this spending as discretionary and the FY95 base is $ 19 million. The agency proposes a decrease in base spending of $ 12 million and a one-time expenditure of $ 15 million on a Nutrition Communication Initiative (NCI) for a total request of $ 22 million, an increase of $ 3 million over FY95.

The PAD recommendation does not fund this initiative and is therefore $ 15 million below the agency request and $ 12 million below FY95 enacted.

NCI would be limited to the Food Stamp program. It would develop nutrition information materials in print, video and audio medium to be made available to State and local groups who work with the Food Stamp population. The PAD supports the Department's desire to coordinate nutrition promotion within FCS. Such coordination, consistent with the agency's Nutrition Promotion Program, described above, should target nutrition education messages at individuals according to their demographics rather than their participation in any one food assistance program. Limiting NCI to Food Stamps appears inconsistent with that broader and more efficient approach. Since the new approach to nutrition education will be developed during process of developing the Farm Bill, the PAD recommends that this initiative not be considered at this time.

AGRICULTURAL MARKETING SERVICE

		FY 1993 Actual	FY1994 Estimated	FY 1995 President's Request	FY 1995 Enacted	FY 1996 President's Request	Agency Request	PAD Recom.	Recom. less Request
Section 32	BA	50	50	---	26	---	50	---	(50)
	OL	50	50	---	26	---	50	---	(50)

Explanation/Comments:

The FY95 Agriculture Appropriations bill provides for an FY96 advance appropriation to purchase $ 50 million worth of export subsidies. This action scores as discretionary. NRD has advised HRD that the pre-GATT spending level on this subsidy is $ 26 million. If we must continue this export subsidy on its merits or due to farm commitments, the HRD PAD recommends funding it through the Farm Bill with mandatory monies instead of discretionary.

Therefore, the HRD PAD recommends rescinding this discretionary spending.

SUMMARY OF DISCRETIONARY PROGRAMS
DEPARTMENT OF AGRICULTURE/FOOD AND CONSUMER SERVICES
(in millions of dollars)

EXHIBIT 6
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		FY 1993	FY1994	FY 1995		FY 1996			
		Actual	Estimated	President's Request (FY95 BUD	Enacted	President's Request (FY95 BUD	Agency Request	PAD Recom.	Recom. less Request
HUMAN RESOURCES DIVISION COMPONENT OF USDA									
Total	BA	3,544	3,888	4,082	4,039	4,467	4,513	4,370	(143)
	OL	3,523	3,882	4,073	4,053	4,442	4,552	4,417	(135)
Discretionary Planning Guidance	BA							3,955	
	OL							3,970	
Difference Between PAD Recommendation and Guidance	BA							(415)	
	OL							(447)	

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POTENTIAL INCREASES
TO DISCRETIONARY PROGRAM RECOMMENDATIONS
DEPARTMENT OF GOVERNMENT
(in millions of dollars)

EXHIBIT 7
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IMB/HRD

		FY 1993	FY 1994	FY 1995		FY 1996				
		Actual	Actual	President's Request (FY 95Bud)	Enacted	President's Request (FY 95Bud)	Agency Request	PAD Recom.	Potential Increases	Potential Increas. less Pad Recom.
Discretionary										
WIC	BA	2,860	3,210	3,564	3,470	3,914	3,914	3,820	3,914	94
(Issue Paper #1)	OL	2,846	3,222	3,538	3,451	3,896	3,938	3,851	3,880	29

Rationale:

This increase represents the agency request and would increase WIC $ 444 over FY95 enacted or $ 94 million over the PAD mark. This increase far exceeds the largest previously granted increase of $ 350 million and given the increased estimates of participation at full funding, the partcipation goal may be difficult to achieve even with this funding level. However, this dollar level would permit the Administration to stay with its original full funding goal.

		FY 1993 Actual	FY 1994 Actual	FY 1995 President's Request (FY 95Bud)	FY 1995 Enacted	FY 1996 President's Request (FY 95Bud)	FY 1996 Agency Request	FY 1996 PAD Recom.	FY 1996 Potential Increases	FY 1996 Potential Increas. less Pad Recom.
TEFAP	BA	165	120	40	65	40	40	40	65	25
	OL	165	120	40	65	40	40	40	65	25

Rationale:

The FY95 President's budget proposed eliminating $ 80 million in TEFAP commodities and leaving $40 million in administrative funds for local food distribution agencies. Congress provided $ 65 million, $25 million in commodities and $40 million in administration. This option would maintain that $ 65 million level which would keep TEFAP consistent with FY95 enacted as are the rest of the Food Donations Programs.

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POTENTIAL REDUCTIONS
TO DISCRETIONARY PROGRAM RECOMMENDATIONS
DEPARTMENT OF AGRICULTURE/FOOD AND CONSUMER SERVICE
(in millions of dollars)

EXHIBIT 8
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		FY 1993	FY 1994	FY 1995		FY 1996				
		Actual	Actual	President's Request (FY 95Bud)	Enacted	President's Request (FY 95Bud)	Agency Request	PAD Recom.	Potential Reductions	Potential Reduc . less Pad Recom.
Discretionary										
Reduce Discretionary Spending in Child Nutrition	BA	---	1	21	21	28	32	28	22	(6)
	OL	---	1	20	20	24	32	28	22	(6)

Rationale: Child Nutrition discretionary spending received a large increase in FY95, mainly to develop dietary guidelines for the child nutrition programs. The agency is requesting an additional $ 11 million for dietary guidelines in FY96 for a total of $ 32 million. The PAD recommendation provides an additional $ 7 million for technical assistance to help States meet the accelerated federal deadline for developing guidelines for federally subsidized school 'meals. This proposal would eliminate all other spending on dietary guidelines, i.e. grants to States, federal staffing, menu planning and fund the $ 7 million from within the base.

		FY 1993	FY 1994	FY 1995 Pres. Req.	FY 1995 Enacted	FY 1996 Pres. Req.	Agency Request	PAD Recom.	Potential Reductions	Potential Reduc. less Pad Recom.
Eliminate TEFAP	BA	165	120	40	65	40	40	40	---	(40)
	OL	165	120	40	65	40	40	40	---	(40)

Rationale: FY95 appropriations provides $ 40 million in administrative funds and $ 25 million in commodities to local organizations who distribute commodities. The agency request and the PAD recommendation would provide just $ 40 million in administrative support for food banks which helps them distribute donated foods. This option would eliminate the $ 40 million in administrative funds because there is already extensive federal food assistance available, especially Food Stamps. (An argument against the cut would be that TEFAP helps deliver food to individuals in emergency situations or while they are waiting for their Food Stamp application to go through.)

		FY 1993	FY 1994	FY 1995 Pres. Req.	FY 1995 Enacted	FY 1996 Pres. Req.	Agency Request	PAD Recom.	Potential Reductions	Potential Reduc. less Pad Recom.
Hold WIC Caseload Constant	BA	2,860	3,210	3,564	3,470	3,914	3,914	3,820	3,768	(52)
	OL	2,846	3,222	3,538	3,451	3,883	3,938	3,851	3,755	(96)

Rationale: While WIC is a Presidential Investment and commitments have been made to "fully fund" the program by the end of FY96, one option would be to hold the end of FY95 caseload constant into FY96 and delay full funding. Simply maintaining current caseload would require a $ 298 million increase over FY95 enacted.

EXHIBIT 9
31-Oct-94
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MAJOR OUTYEAR CHANGES FROM A HARD FREEZE
DEPARTMENT OF AGRICULTURE/FOOD AND CONSUMER SERVICE
(in millions of dollars)

Proposal		FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Planning Guidance....................................	BA	3,955	4,061	4,171	4,283	4,399
	OL	3,970	4,049	4,158	4,270	4,385
Agency Request...	BA	4,513	4,753	4,829	4,979	5,122
	OL	4,552	4,800	4,831	4,969	5,133
PAD Recommended Level.........................	BA	4,370	4,734	4,934	5,074	5,224
	OL	4,417	4,723	4,922	5,066	5,215
Difference Between PAD Recommended Level and Planning Guidance						
WIC...	BA	415	673	763	791	825
	OL	447	674	764	796	830

Rationale:

The difference is due to the PAD recommended level for WIC and CSFP which represents full funding by the end of FY97 and the necessary outyear increases.

Exhibit 10

DISCRETIONARY ISSUE PAPER #1
DEPARTMENT OF AGRICULTURE
FOOD AND CONSUMER SERVICES
(in millions of dollars)

ISSUE: Funding for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) And Related Issues In The WIC Portion Of The Commodity Supplemental Food Program

PREPARER/EXT: Lester Cash; x5-4686

	FY 1993	FY 1994	FY 1995		FY 1996			
	Actual	Actual	Pres Request (FY95BUD)	Enacted	Pres Request (FY95BUD)	Agency Request	PAD Recom.	Recom. less Request
BA	2,860	3,210	3,564	3,470	3,914	3,914	3,820	-94
OL	2,846	3,222	3,538	3,519	3,896	3,938	3,851	-87

OPTION 1: (PAD Recommendation) Propose $350 million increases for FY96 and FY97. Establish the end of FY97 as the full funding goal in light of increased estimates of participation at full funding.

OPTION 2: (Agency Request) Propose a $444 million increase for FY96, which might enable WIC to reach full funding by the end of FY96 if States can expand their programs that fast.

OPTION 3: Propose a $300 million increase to maintain likely end-of-FY95 caseload and propose mandatory funding for increases above that level, similar to the proposal that was in Senator Mitchell's health care reform bill.

BA	3,770	-144
OL	3,765	-133

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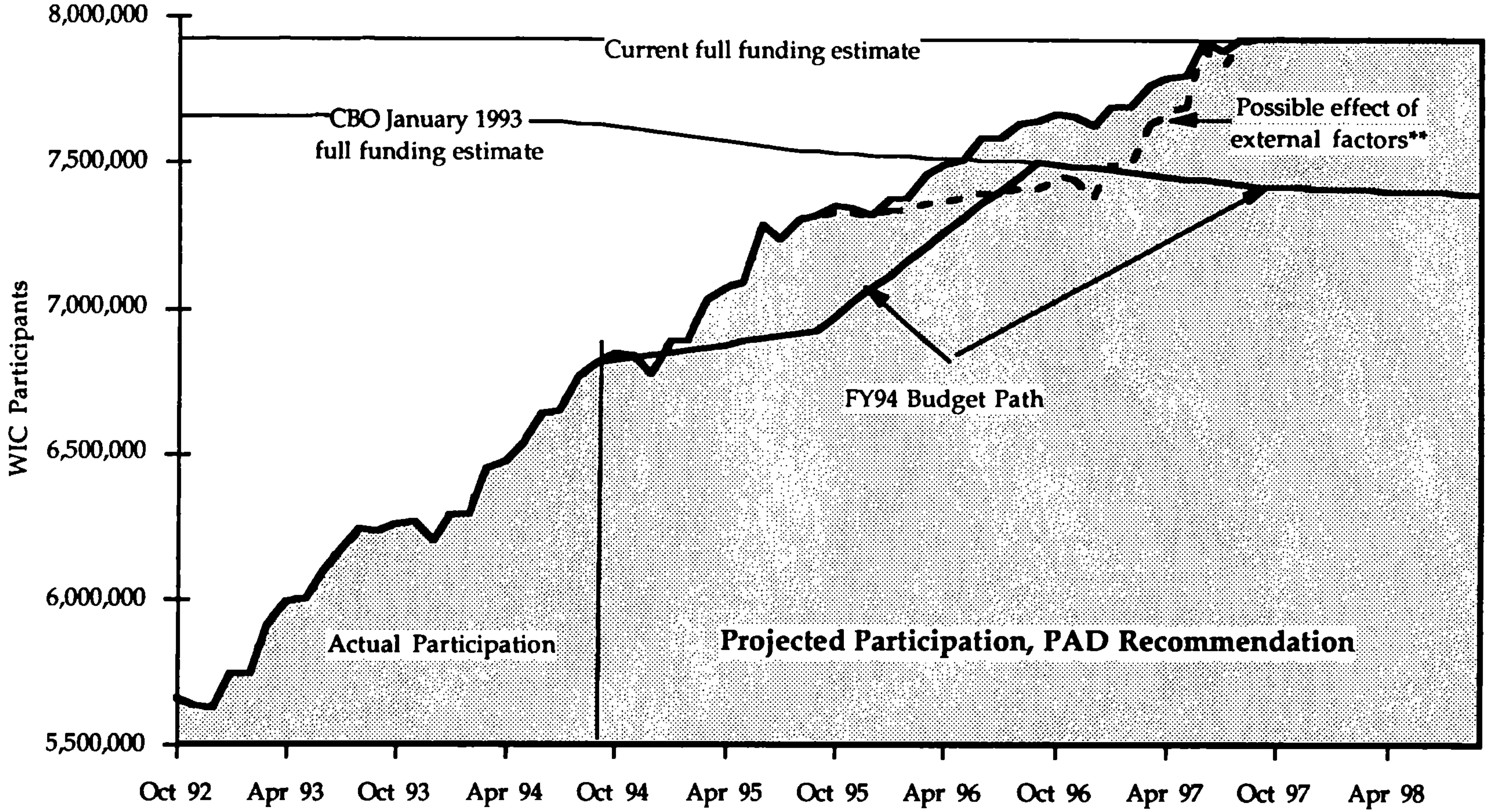
The Recommended Funding Level Should Allow Steady Caseload Growth Until Full Funding Is Reached At The End Of FY97.



**Slightly different inflation or State activity in FY95 could defer much of the post-FY95 growth until FY97 under the PAD recommendation. Low inflation in FY96 could result in faster than anticipated growth.

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DESCRIPTION OF ISSUE:

(1) Full funding for WIC has been one of the President's top priorities. Should the Administration maintain the full funding commitment and the current schedule for meeting it? (While it may be possible that States could reach full funding by the end of FY96, appropriations needed to reach that level would exceed any previously appropriated increases and recent increases in the eligible population may make it difficult administratively.)

(2) How should WIC be coordinated with the Commodity Supplemental Food Program (CSFP)? The FY94/5 Budget estimates for fully funding WIC assumed that CSFP would continue to serve the number of WIC eligibles assisted in FY93.

BACKGROUND:

WIC serves two purposes. It's primary purpose is to improve the health of participants through better nutrition. It also increases the disposable income of low income families. To be eligible for WIC, pregnant/postpartum women, infants, and children ages 1-4 must:

- be below 185% of poverty or receiving Medicaid and
- be at nutritional risk, as defined by the State.

WIC provides Federal grants to States for supplemental foods, nutritional risk assessments, health care referrals and nutrition education for low-income pregnant, breastfeeding and post-partum women, and to infants and children who are found to be nutrition risk. Most State WIC programs provide vouchers that participants use at 46,000 authorized food stores.

The Commodity Supplemental Feeding Program (CSFP) operates in a limited number of cities, serving a population similar to that served by WIC[1]. (CSFP also serves elderly people with gross income at or below 130% of poverty.) Individuals cannot participate in both programs, and WIC services are often limited in areas where CSFP is concentrated. CSFP provides food packages rather than the vouchers that most WIC participants receive. In addition CSFP does not provide the same nutritional screening, health referrals and nutrition education that the WIC clinics provide. (CSFP does, however, connect families with community based organizations that may help

[1]CSFP also serves some five-year olds and post-partum women who are not eligible for WIC.

them access a wide variety of services when needed.)

WIC ASSISTANCE IN THE CONTEXT OF OTHER LOW INCOME PROGRAMS

The maximum WIC package provides up to 1/3 the food a pregnant woman needs, 80% of the food an infant needs, and 60% of the food children need. WIC both complements and overlaps mandatory Child Nutrition Programs. Some WIC recipients may also receive free or subsidized meals in Head Start or day care. Older children may receive up to 40% of their food needs through school breakfasts and lunches. (Unlike WIC, families between 130% and 185% of poverty have to pay part of the cost of the school meals and day care center meals.) No information is available on the extent of the WIC/Child Nutrition overlap.

In 1992, 40% of WIC recipients also received Food Stamps, 33% received AFDC, and 50% received Medicaid. There are several reasons people may receive WIC but not Food Stamps. They may be between 130% and 185% of poverty and be ineligible for Food Stamps. They may be asset ineligible, whether due to liquid assets, retirement funds, or automobiles. Some may avoid Food Stamps due to "welfare stigma" while they perceive WIC to be a health program.

PERFORMANCE : HEALTH AND NUTRITION EFFECTS

Linkages with preventative health

Women, infants, and children must receive a nutritional risk screening in order to receive WIC benefits. This screening helps identify health needs, and WIC workers often help arrange any needed health care appointments. Some clinics offer immunizations on-site, or in co-located health clinics. WIC is generally believed to increase utilization of preventative health services.

Prenatal WIC.

The improvement in birth outcomes from prenatal WIC participation is well documented. The maximum food package for pregnant women provides 33% of the RDA for calories, and at least 69% of the RDA for all other major nutrients.[2] A 1982 study found that a significantly higher percentage of pregnant women participating in WIC had

[2] Some States do not provide the maximum food package to all participants.

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adequate consumption of calories, calcium, magnesium, phosphorous, thiamin, riboflavin, vitamin B12 and vitamin C.[3] Subsequent studies indicate that for each dollar currently spent on the pre-natal portion of the WIC program, State/Federal Medicaid costs are reduced by between $1.77 and $3.13 during the first 60 days after birth.[4]

Pregnant women receive first priority for WIC services. Since less than 15% of current WIC appropriations are needed to fund benefits to pregnant women, they will continue to receive assistance regardless of the funding level. As a result, this research summarized above may not directly apply to marginal funding requests which this paper addresses.

Infants and children.

Infants and children receiving WIC eat healthier foods, but not more food than non-recipients. In particular, WIC children are more likely to consume adequate levels of iron which is linked to long-term cognitive development. The benefits are most pronounced for infants as WIC substantially increases the likelihood lower income infants do not switch from formula to milk earlier than pediatricians recommend.

Infants. Almost all eligible infants (about 40% of all infants) participate in WIC. The maximum food package for infants provides 81% of the RDA for calories and at least 80% of the RDA for other major nutrients. Pediatricians normally recommend that infants remain on breast milk or formula until they are 12 months old. However, infant formula is expensive, since it is marketed and priced somewhat like a drug, rather than a food. As a result, many families start whole cow's milk when their children are significantly less than 12 months old. WIC enables lower income families to afford formula. As a result (see table), the National WIC Evaluation, conducted in 1982/3 [5], found that WIC improves intake of iron and vitamins A and C for infants. (The table is based on 77% of the RDA since that is the level considered adequate for long-term intake for half the population). WIC's impact on iron deficiency is the most important since some effects of anemia that may

Infants consuming more than 77% of RDA

	Controls	WIC infants
Calcium	90%	79%
Iron	46%	74%
Vitamin A	79%	90%
Vitamin B6	85%	75%
Vitamin C	80%	81%

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[3]Data is from *The National WIC Evaluation*, prepared for USDA by the Research Triangle Institute and the New York State Research Foundation for Mental Hygiene. David Rush, principal investigator.

[4]Devaney, Barbara, Linda Bilheimer, Jennifer Schore. "Medicaid Costs and Birth Outcomes: The Effects of Prenatal WIC Participation and the Use of Prenatal Care," *Journal of Policy Analysis and Management*, Vol. 11, No. 4, 573-592 (1992).

[5]77% of the RDA is the level considered adequate for long-term intake for half the population. Data is from *The National WIC Evaluation*,.

result from such a deficiency are irreversible. While WIC was found to reduce infant intake of calcium and vitamin B6, these nutrients are not as important as iron.

Children. The maximum food package for children provides 60% of the RDA for calories, 41% for zinc, and at least 87% of the RDA for all other major nutrients. Foods included in the package include milk, cereal, eggs, orange juice, cheese, peanut butter, etc.

The National WIC Evaluation (see table) found that WIC improves intake of iron, vitamin A, B6, and Riboflavin, without reducing intake of any nutrients. The tables shows the increase in adequate RDA intake among WIC children. The study also suggested improved cognitive ability among WIC children, which would be consistent with their lower iron deficiency rate.

While WIC modestly improves iron intake, over half of WIC recipients in the study consumed too little iron. This suggests adding children's vitamin/mineral supplements to the WIC package could have the potential of significantly improving children's nutrition and possibly long-term cognitive development.

Children consuming more than 77% of RDA

	Controls	WIC children
Iron	27%	38%
Vitamin A	73%	79%
Vitamin B6	66%	71%
Riboflavin	88%	92%

PERFORMANCE: PROGRESS TOWARD THE FULL FUNDING GOAL

WIC is on track to exceed the original end-of-FY96 participation goal of 7.5 million participants (see chart on page 2). Since 1990, WIC participation has increased by about 500,000 per year. (While FY94 and FY95 appropriations have been less than requested, lower food price inflation enabled WIC to continue growing rapidly.)

The current staff estimate of full funding participation is about 8 million. Preliminary staff review of data underlying the most recent poverty estimates indicates a fully funded WIC/CSFP program would serve about 8 million participants. The chart on page 2 shows how this compares to the January 1993 CBO estimates that underlay the funding levels in the FY94 and FY95 Budgets. CSFP should meet about .1 million of this need, so WIC would need to grow to about 7.9 million. (More discussion of this reestimate can be found below).

Most of the increase in participation would be children. While there is limited information on WIC's effects on children, there is improvement in micronutrient intake. WIC has seven priority categories. Pregnant women, infants, and some children are in the higher priority categories. Children at nutritional, but not medical, risk are in lower categories, and receive assistance only when funds are available. Most of the increase in participation will be among the lower priority children. Inadequate micronutrient intake during childhood -- especially iron -- can have long-term negative effects on cognitive development. WIC also enables families with pre-school children to receive as much income assistance as the Federal government provides to those with school-age children.

ANALYSIS:

Fully funding WIC is attainable. Full funding for WIC is a Presidential goal that has broad support and can be reached. While the higher estimate of participation under full funding suggests States might have difficulty reaching the goal by the end of FY96, they should need only a few more months if appropriations are available.

The definition of full funding should incorporate the latest demographic estimates. For the last two years, "fully funding WIC" has meant providing the funds CBO estimated in January 1993 would be needed. CBO's estimates were based on demographic surveys taken in 1990. Data from 1994 is now available. Also, CBO assumed a constant percentage of infants and young children being income eligible for WIC, so their full funding estimates declined over time due to the declining number of births Census projects. Food and Consumer Services analysis suggests declining caseloads should not be assumed after FY97 as increasing percentages of births are among groups more likely to be low income.

While the President's goal of full funding of WIC has been understood to represent \$3.9 billion in appropriations in FY95 and \$4.2 billion in FY97, the FY94 Budget based those figures (and the end-of-FY96 goal) on the then-estimated 7.6 million participating eligibles (including the .1 million in CSFP). The best current full participation estimate is about 8 million.

Other assumptions used to estimate participation should remain relatively stable. In estimating the number of participants under full funding there are three key variables: the number of income eligibles, the definition of nutritional risk, and anticipated participation rates. USDA and CBO have used modal (or "normative") definitions of nutritional risk to estimate the number of fully eligible women, infants and children, and participation rates that are consistent with entitlement programs. However, States use varying definitions of nutritional risk which they can redefine such that a higher or lower number of applicants are eligible. Estimates should retain the modal definitions of nutritional risk and the roughly 80% participation rate that underlay previous full funding estimates.

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Additional factors affect estimates of the cost to fully fund WIC. States can change the value of food packages. A related uncertainty is that infant formula companies might reduce the $1 billion in rebates [6] they now pay each year. WIC participation and cost projections are also sensitive to inflation assumptions.[7] Any of these factors may raise or lower the cost to serve a particular number of people.[8]

The growth potential in FY95 and FY96 is uncertain. Participation in State WIC programs would have to grow about 550,000 per year in FY95 and FY96 (from September to September) to reach full participation by September 1996. While WIC grew that fast in FY93 and FY94, it is not clear whether that growth rate can continue as more and more States get close to full funding. USDA just issued revised regulations governing which States receive funding increases. The previous allocation formula would have continued to give real increases in funding to States close to (or above) their proportionate share of full funding[9]. Starting in FY95, all increases in real appropriations will be targeted to States that are the furthest from full funding. As a result, growth will be more concentrated in a smaller number of States.

Retaining the end-of-FY96 goal requires substantially higher appropriation increases than have been achieved. The end-of-FY96 timeframe was set in the FY94 Budget process, and was not part of the Presidents's original commitment. An increase of about $450 million, roughly equal to the agency request, (or more if inflation increases) would be required to provide adequate funding. The FY94 increase of $350 million is the highest increase ever appropriated for WIC. All other increases have been $260 million or less. (States have grown rapidly in some of those years due to low food price inflation, and increases in the $1 billion in infant formula rebates that support

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[6]WIC purchases comprise about 40% of the total U.S. infant formula market. States offer sole source contracts to infant formula manufacturers who offer the best rebates. As a result, the WIC program pays about 40¢ a can for concentrate in many States, compared with the $1.70 to $2.40 that private individuals pay. In 1994, rebates totaled about $1 billion, and supported almost 1/4 of the caseload. Price containment is easier for infant foods. There are only a few brands of formula and infant cereal manufacturers, and not much difference between their products. As a result, States can develop single-source contracts. There is a lot more variety in the market for adult/child foods such as cereal, juice, milk, and cheese.

[7]End-of-year participation levels are particularly sensitive to changes in inflation. WIC caseload normally grows fastest the last few months of the fiscal year. Since only a few months benefits would be paid for these added cases,a one percentage point difference in annual average food price inflation can increase or reduce end-of-year caseload by as three or four percent (a couple hundred thousand participants).

[8]USDA estimates that in a worst case scenario, up to $7 billion per year could be spent through WIC, compared to the $4.2 billion the FY95 Budget estimated for FY97.

[9]The proportionate share is based on a State's percentage of the total population of income eligibles below 185% of poverty.

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about 1/4 of the WIC caseload[10].) Resetting the goal at the end of FY97 would enable the goal to be met with two increments equal to the $350 million FY94 increase.

An increase of about $300 million is needed to maintain the likely end-of-FY95 caseload. WIC caseload growth is uneven across the year, and depends on a number of variables. As a result, projections of point-in-time caseloads a year in advance are inexact. However, it appears that the end-of-FY95 caseload will be about 7.3 million. An increase of roughly $300 million would be needed to maintain that caseload under current inflation assumptions.

Mandatory funds could be sought for WIC, but doing so for the Budget year might reduce the likelihood the full funding goal was reached. The Administration could propose mandatory funding similar to that included in the Mitchell Health Reform Bill. However, the HCR bills only affected the outyears. All Budget year funding was regular discretionary. Proposing a special fund that affected FY96 might encourage appropriators to allocate discretionary funds for other uses, possibly making it less likely the full funding goal is met.

As WIC approaches full funding in FY97, it may be desirable to consider legislation that would provide matching funds (possibly through Medicaid) to States that want to use more expansive eligibility criteria or increase food packages above the levels anticipated in the definition of full funding. For example, States such as Minnesota that have Medicaid eligibility thresholds well above 185% of poverty for pregnant women and infants could use matched funds to give them WIC benefits as well. Since States would pay part of the cost, they would have incentives to maintain reasonable definitions of nutritional risk.

The Budget should enable participants to migrate between WIC and CSFP. The number of women, infants, and children in CSFP dropped noticeable in FY94. It is unclear whether they will continue to migrate from CSFP to WIC. Continued migration will increase the cost to fully fund WIC for two reasons. First, CSFP is cheaper.[11] Second, States would otherwise reallocate CSFP funds to expand participation by elderly caseload, causing WIC to have to pay the full cost of serving the added cases. One way to deal with this uncertainty is to propose appropriation language that requires CSFP funds to be transferred to WIC if CSFP continues to shrink.

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[10]Most States have now implemented the more effective strategies for obtaining higher infant formula rebates, so that amount is not expected to grow rapidly in the near future.

[11]CSFP delivers food packages purchased wholesale. WIC pays retail prices.

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RECOMMENDATION: Seek a $350 million increase in FY96, and a $350 million increase in FY97, to support a goal of obtaining sufficient appropriations late in FY96 (or early FY97) to fully fund WIC. Reestimate full participation at about 8 million, which would be reached at the end of FY97. Propose appropriation language that requires CSFP funds to be transferred to WIC if participation by WIC-eligibles in CSFP continues to drop.

Note on WIC and the health care reform allowance. Technically, USDA requested that $3,402 million of USDA's allowance be allocated to WIC which they perceived as "[USDA's] share of the [full] funding commitment." This is the FY96 number the FY95 Budget carried for WIC within the USDA section. The FY95 Budget moved the other $512 million in FY96 discretionary funding for WIC from the USDA outyear numbers to the health care allowance.

WIC Funds In FY95 Budget & FY96 Planning Guidance

	FY95	FY96	FY97	FY98	FY99
	dollars in millions				
USDA	3,564	3,402	3,508	3,616	3,728
Health Care Allowance	—	512	658	629	666
Total	3,564	3,914	4,166	4,245	4,394

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EXHIBIT 11
October 28, 1994

PROGRESS REPORT ON HIGH RISK AREAS
DEPARTMENT OF AGRICULTURE/FOOD AND CONSUMER SERVICE

PHOTOCOPY PRESERVATION

High Risk Area	Progress to Date and Next Steps	Assessment[1]
Food and Consumer Services (FCS): Food Stamp illegal trafficking for cash, drugs, and weapons; and fraudulent retailer activity. 1994 budget includes $25B for Food Stamp Program. *At risk*: ability to detect both food stamp trafficking by individuals and fraudulent retailer activity, with an estimate of a minimum of $100M in benefits diverted annually.	USDA/FCS developed a corrective action plan with OMB approval. FCS has completed all the the steps on the corrective action plan and OMB is waiting for a memorandum from the agency which details their progress. They continue to keep trafficking a priority item. *Next steps*: Unless strong legislative action is taken to limit the type of retail stores participating in the program, trafficking will always be an issue of serious concern and an area of risk for the Food Stamp program. With the number of states participating in EBT growing, more and more data will become available on the actual size of the trafficking problem and there will continue to be attention on this issue. Despite this, we recommend removing trafficking from the high risk list once FNS has completed a report which details the action they have taken with regards to the corrective action plan. The agency has taken the measures available to them to strengthen their management of this problem. OMB and the agency efforts to track and manage trafficking should be on-going despite its removal from the high risk list.	1

[1]Assessment Codes: **1** -- Significant progress. **2** -- Active efforts underway to improve progress. **3** -- Reservations about adequacy of progress and/or plan; **A** -- Added to the High Risk List. **D1** -- Deleted: has been corrected. **D2** -- Deleted: no longer sufficiently serious to warrant the "high risk" designation and receiving appropriate attention at the agency. **D3** -- Deleted: does not belong on a list of agency operational problems.

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