

# DEPARTMENT OF AGRICULTURE

## The President's Proposal:

- Fulfills commitments to
  - fully fund the Special Supplemental Nutrition Program for Women, Infants, and Children enabling 7.8 million at-risk pregnant and post-partum women, infants, and young children to receive supplemental foods, nutrition education, and access to preventative health care each month in 2003;
  - maintain a safety net for farmers and foster trade expansion for the long-term prosperity of American agriculture;
  - provide record support for food safety programs to protect American agriculture and consumers against unanticipated events;
  - simplify rules, support of working families, and improved incentives for state performance in the Food Stamp program; and
  - focus on housing, infrastructure, and other economic assistance to rural communities.
- Provide better service to farmers and others at less cost by modernizing field office structure and processes; and
- Improve stewardship of our soil, water, and forestry resources by making more resources available for conservation with less spent on overhead.

## Department of Agriculture

Ann M. Veneman, Secretary

[www.usda.gov](http://www.usda.gov) 202-720-3631

**Number of Employees:** 131,385

**2002 Spending:** \$76.6 billion

**Field Offices:** Eighteen separate program agencies organized under seven mission areas, with a total of 7,400 field, state, or regional offices outside of the Washington, D.C. headquarters.

The United States Department of Agriculture (USDA) provides assistance to farmers and ranchers. The Department promotes agricultural trade and production, works to assure food safety, protects natural resources, fosters strong rural communities, and fights hunger in America and abroad.

## Overview

USDA not only carries out its mission of helping America's farmers but, as the number of American farmers has shrunk, USDA serves essentially all of the American public at some level. Currently, there are over 346,000 farms whose operators make roughly 40 percent or more of their income from farming, and 70,000 USDA employees that support the farming community. This represents approximately one USDA employee for every five such farms. The Department, by itself, provides many of the same functions provided by other federal agencies. For example, the Department:

- Performs a security function, with over 3,000 USDA inspectors searching bags at airports and cargo at major ports of entry for compliance with animal and plant import restrictions;
- Provides assistance to businesses, housing authorities, electric companies, water supply and sewage treatment facilities and other utilities. At over 5,600 county offices, USDA employees distribute farm commodity support payments, housing and community loans, and offer conservation technical advice to land owners;
- Protects public health daily at 6,000 meat, poultry, and egg product plants to ensure compliance with food safety standards;
- Fights fires. In an average year, 832,000 acres of fires on national forests are battled by 10,000 USDA firefighters;
- Conducts research through its own laboratories and at over 200 institutions of higher education in areas ranging from human nutrition to new crop technologies that, for instance, allow farmers to grow more food using fewer chemicals; and
- Provides food to the needy and schools. An estimated \$19 billion in food stamps will be distributed to approximately 20 million needy people in 2002, and on average, 28 million school children will receive school lunches through USDA each day.

The long list of programs USDA now operates demonstrates how society's view of agriculture and our demands on food systems have changed over the last two centuries. The President's Budget meets the challenges posed by these changes.

Unlike previous budgets, this budget reflects a review of the performance of USDA and how performance can be improved. This chapter addresses five primary areas for improving performance: 1) aid to farmers; 2) safeguarding the food supply; 3) stewardship on farms and in forests; 4) feeding people in need; and 5) supporting rural America. The chapter provides examples of specific programs that are rated effective or ineffective.

## Homeland Security

Before September 11<sup>th</sup>, most USDA facilities, including laboratories, were not considered likely targets of terrorists. A subsequent review of USDA facilities throughout the United States and the world determined that some, including several laboratories that perform research on infectious diseases and food supply contamination, need greater protection.

To address the heightened risk, USDA will spend an additional \$328 million for improvements in security of personnel, laboratories, and information technology infrastructure in 2002. These funds will provide research and training in the detection of biological and chemical agents, and an integrated emergency response and communications network to respond to food contamination. The funding will also provide for research facility planning, design and construction, for the enhancement



of border inspections, and for animal and plant disease monitoring. USDA will continue reviewing the security needs of its facilities and equipment. Continued funding is included in the 2003 Budget for these activities.

In addition to these activities, USDA works to ensure the safety and security of the nation's food supply and agricultural systems through its inspection, monitoring, research, and enforcement activities. These activities are discussed later in the chapter.

### Status Report on Select Programs

The accompanying table is a selection of effective and ineffective programs in USDA. While the specific budget proposals for these five areas are too detailed to present in this chapter, this is illustrative of how programs were rated. This budget is the first to explicitly rate certain programs and tailor resources and other proposals to improve their performance.

Program	Assessment	Explanation
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Effective	WIC is a successful and cost-effective early intervention program that saves lives and improves the health of nutritionally at-risk women, infants, and children. The budget fully funds WIC, allowing service to all eligible persons seeking benefits.
USDA County Offices	Ineffective	Even though USDA has worked on improving efficiency since 1992, enormous duplication and inefficiencies remain.
Forest Service Operating Program	Ineffective	The Forest Service's administrative and decision-making system, along with confusing and inadequate regulations, has led to gridlock. Currently, according to the National Academy of Public Administration, 40 percent to 60 percent of the money spent on this program goes to planning and litigation rather than projects.
Agricultural Quarantine and Inspection Program	Effective	The program conducts inspections of people and cargo entering the country by land, sea, and air. Inspections indicate that at least 95 percent of international air passengers are in compliance with federal regulations.
Rural Water and Wastewater Grants and Loans	Effective	The program alleviates health hazards and encourages economic growth in rural areas by providing support to build sewage treatment plants and other water infrastructure. Funds are effectively targeted to the most needy communities including those with major wastewater problems that pose health concerns.

### Congressional Earmarks

The process of identifying and selecting which projects will be funded by the budget involves high levels of subject matter expertise and administrative support. Hence, when non-priority

projects, those not requested by experts, are funded directly by the Congress in what is referred to as “earmarks,” there is no assurance that funds will be used to support projects and activities that have the greatest prospects for success. While earmarks may be good projects, they divert limited funds from programs that have competed fairly in the systematic budget development process and are of higher national priority. USDA programs receive many earmarks—most of which fall in USDA’s research programs. The budget proposes to eliminate funding for over 400 USDA earmarks.

Earmarking of research projects is an especially bad idea, because it enables special interest pressure to end-run the competitive selection of proposals through scientific peer review. From 2001 to 2002, research earmarks increased in dollar amount and number, with earmark funding rising by 39 percent (from \$228 million to \$317 million) and the number of earmarks increasing by seven percent (from 414 to 444 earmarks).

### Aid to Farmers



There are approximately 346,000 farms that provide the majority of their operators’ incomes.

Does federal aid target farmers most in need? How efficient is the government at delivering aid to farmers? These are the measures against which USDA effectiveness is judged. Most of USDA’s aid is funded outside of the President’s annual budget request. USDA provides direct and indirect subsidies for the production and export of U.S. crops using funds provided in farm bills that the Congress enacts every five years. For 2000 and 2001, the government has provided a total of over \$40 billion in direct farm income support. In calendar years 1999 and 2000, government payments accounted for roughly 49 percent of net farm income; they are projected to be 40 percent of net farm income in 2001.

### Summary of Farm Income (In billions of dollars)

	1999 Actual	Estimate			
		2000	2001	2002	2003
Farm income from product sales.....	189	194	206	204	208
Total net farm income <sup>1</sup> .....	44	46	49	45	49
Percent of net income from direct government payments <sup>1</sup> .....	49	49	40	33	34
Percent of eligible crops insured .....	73	78	78	78	77

<sup>1</sup> Total net farm income and percent of net income from direct government payments for 2002 and 2003 include additional funding under a new farm bill, which is estimated to provide an additional \$4 billion and \$7 billion in 2002 and 2003, respectively.

Farm income has held steady over recent years, but has become more dependent on government support. This support is neither targeted well, nor efficiently delivered. The 2003 Budget seeks to improve aid to farmers by focusing on: increased agricultural trade, improvements in the delivery of farm aid, addressing risk management on the farm, and supporting agricultural research.

The 1996 farm bill expires at the end of 2002, and Congress is currently working on a new farm bill. Funding in USDA's annual budget request as described in this chapter for 2003 is in addition to, and coordinated with, the farm program funding provided in the 1996 farm bill. The Administration supports, and the budget reflects, an additional \$73.5 billion over a 10-year period, for a farm bill that will provide a strong safety net for all farmers and ranchers, expand markets abroad for American agricultural products, and increase resource conservation in ways that enhance the environment. This funding will provide additional farm support payments; increase funding for conservation programs; improve the food stamp program; enable the establishment of risk management savings accounts for farmers and ranchers; and increase support for other USDA programs, including trade, research, and rural development.

## The Critical Issue of Trade

*Twenty-five percent of farm receipts are generated by exports. One quarter of all the revenues coming into the farm economy are generated as a result of a farmer in America, or a rancher in America, selling that product overseas. Our farmers and ranchers are the most efficient producers in the world. This is an area where our country has a competitive advantage. We're really good at it. And the job of this Administration must be to open up more markets for ag products.*

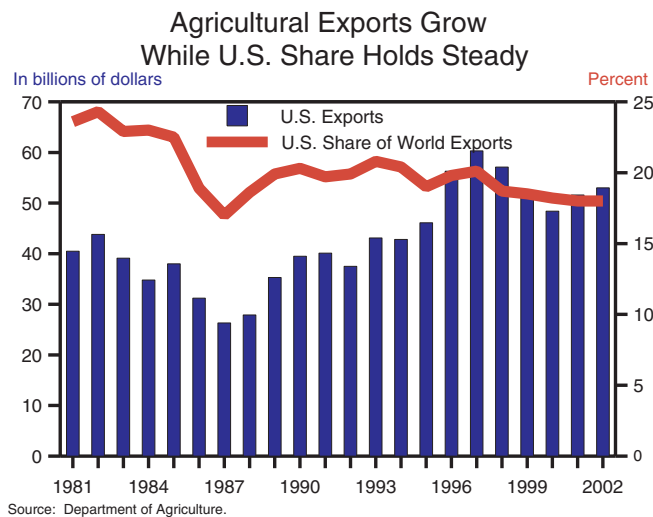
President George W. Bush  
June 18, 2001

A key way to increase farm income is to increase trade. The President is committed to expanding overseas agricultural markets by lowering trade barriers and strengthening USDA's ability to identify potential new foreign market opportunities. Recent trade statistics indicate that these efforts are working—U.S. agricultural exports for 2002 are forecast to be \$57 billion, up \$4.2 billion from 2001. If these forecasts are realized, the 2002 export level will be the highest since 1997 and represent three straight years of sustained agricultural export growth. U.S. exports of high-value products, currently at \$24 billion, \$1.8 billion more than last year, are increasing the U.S. farm trade surplus. At

the upcoming multilateral trade negotiations, the Administration will work to expand opportunities for agricultural exports by lowering trade barriers utilizing Trade Promotion Authority (TPA). The TPA authority gives U.S. trade negotiators the ability to negotiate trade agreements with our current trading partners and open new markets under future trade agreements.

The Foreign Agricultural Service (FAS) represents U.S. agricultural interests overseas and plays a critical role in gathering market intelligence, which provides expertise in resolving technical trade issues and developing international commodity standards. FAS activities are fully funded in the budget. USDA also has a wide range of trade promotion programs that expand overseas market opportunities and develop long-term trade relationships with foreign countries. These include subsidies to export firms that face unfairly subsidized overseas competitors and credit guarantees for the commercial financing of U.S. agricultural exports. USDA also provides outreach

and exporter assistance activities that are designed to assist businesses in identifying opportunities overseas and entering export markets for the first time.



The budget proposes to reform the delivery of American food aid through USDA, USAID, and the Department of State. As part of those reforms, the budget includes a \$335 million increase for P.L 480 Title II food aid. A discussion of these reforms is included in the Department of State and International Assistance chapter.

### Efficient Delivery of Farm Aid

Why do the more than 28,000 USDA employees working in 5,600 county field offices across the country, wear different “hats” depending upon the category of service provided? The answer is rooted in history.

USDA’s Natural Resources and Conservation Service (NRCS), Farm Service Agency (FSA), and Rural Development (RD) offices evolved over time, with the Congress, by law, giving them separate mandates and organizational hierarchies.

Today, these USDA agencies act as separate franchises, with offices often located adjacent to each other. Prior efforts to improve the efficiency of USDA’s county-based offices have resulted in significant co-location, with 2,600 service centers now operating. New information technology has been introduced to simplify customer transactions and to share information among USDA agencies. However, the separate hierarchical structures at state, regional, and headquarter levels are set in law, and this hinders further attempts to achieve additional efficiencies.

For example, USDA personnel located in the same county office location operate three separate payroll, procurement, computer, and travel support systems. Similarly, county office personnel cannot “help each other out” with workload. For instance, a conservationist visiting a farm cannot verify the farmer’s land unit to qualify for certain commodity support programs—a separate trip must be made by a USDA employee in a different “hat.”

Congress has impeded efficiency improvements by: 1) not allowing USDA to combine administrative support offices and 2) not allowing the relocation of offices without congressional approval. The Administration has proposed legislation that seeks to remove roadblocks to efficient management (the Freedom to Manage Act). This budget proposes changes that will allow the agencies to operate together more efficiently within the current organizational constraints. Specifically, the Administration proposes that the FSA and NRCS field offices seek improvements by:

- Restructuring the administrative support offices to improve efficiency of information technology, personnel, travel, payroll, and procurement;
- Reviewing the field office structure to determine the most efficient level of offices necessary to provide services, with the goal of co-locating at least 200 additional offices in 2003;

- Beginning to centralize loan servicing functions that do not need to be performed at the field level;
- Evaluating pilot projects and developing guidance to strengthen NRCS' process for emphasizing local involvement in setting national priorities; and
- Implementing competitive sourcing and cross servicing.

Improvements undertaken that will improve efficiency and increase the number of employees available to provide services directly to the U.S. citizen will be evaluated based on:

- Reducing the number of office visits and reporting burden for clients of FSA and NRCS. A 10 percent reduction in reporting would reduce the number of hours spent filling out forms by 1.7 million hours or 46 minutes per farm (currently 17 million hours spent, 7 hours and 44 minutes per farm); and
- Increasing the provision of core customer services, including technical assistance visits and eligibility determinations, while maintaining or reducing the number of personnel and/or the cost associated with the provision of service.

### **Managing Risk on the Farm**

What can farmers do to lessen the risk their crop may be lost due to drought or other natural disaster? USDA's Risk Management Agency (RMA) administers a crop insurance program through the Federal Crop Insurance Corporation (FCIC). These insurance policies insure a farmer against crop losses from natural disasters or market price reductions, and are delivered through private insurance companies. In 2003, it is expected that 80 percent of the total amount of crop acreage eligible for crop insurance will be covered. FCIC now subsidizes over half the cost of farmers' insurance premiums to encourage farmer participation. As more farmers participate, this should reduce the need for ad-hoc supplemental federal funding for crop losses due to natural disasters.

FCIC also reimburses private insurance companies' administrative costs, and pays a share of the indemnities on insurance policy claims, which provides an incentive for the companies to sell the policies. The program was revised in 2000 through the Agricultural Risk Protection Act (ARPA). ARPA increased the estimated annual cost of the program from \$1.7 billion to \$3 billion, largely due to its increases in insurance premium subsidies. However, the changes have made the program more attractive to farmers and significantly increased participation. Since 1993, the crop insurance program has grown from \$700 million in gross premiums insuring \$10 billion in crop value, to \$2.4 billion in premiums insuring over \$32 billion in crop value in 2000.

The Administration believes that improvements should be made in the risk sharing arrangements between the government and the private insurance companies. To achieve this, the 2003 Budget proposes amending the Federal Crop Insurance Act. The proposal continues to provide incentives to the insurance companies to participate in the crop insurance program but establishes constraints on windfall profits. The proposal would cap the underwriting gains to 12.5 percent of each company's retained premiums for the year. The dollar volume of total underwriting gains went from \$201 million to \$378 million (an 88 percent increase) between 1999 and 2001. The change will save \$89 per policy sold to participating farmers in the crop insurance program in 2003.

## Assisting Farmers through Research

Agricultural research can lead to discoveries that result in increases in farm income through better management, improvements in production and processing techniques, development of new and improved seed, and technologies to achieve the maximum use of agricultural products. Research also helps achieve other objectives, such as food safety. The challenge is to target research funding to the highest priorities—those that are most likely to boost farm income, or address other national concerns. Priority research projects are identified through competitive merit-based processes and peer review. As mentioned above, congressional earmarks can hinder the ability to focus funding on priority research.



Wheat is susceptible to natural disaster and diseases, such as karnal bunt.

The 2003 Budget proposes an increase of \$58 million for in-house research for a number of high priority initiatives of key national importance, such as: bio-based products; biotechnology; counter-terrorism; invasive species; genomics; and upgrades to the National Agricultural Library. The Administration had agencies re-evaluate all their programs, to ensure that taxpayer dollars fund the highest priority activities that meet national needs. The 2003 Budget does not propose to fund numerous unrequested projects added by the Congress in 2001 and 2002, and also reallocates \$15 million from lower priority programs to fund priority initiatives.

The 2003 Budget also proposes providing a significant increase in funds for the National Research Initiative (NRI), USDA's major discretionary competitive grant program. To date, the NRI has never received more than \$120 million. In 2003, the budget proposes to double funding for the NRI, to \$240 million. Under this proposal, funding for competitive research would increase from seven percent to 12 percent of all research funding, or from 16 percent to 28 percent of research grant programs in 2003.

## Safeguarding the Nation's Food Supply

The United States has the safest food supply in the world. USDA has a prominent role in protecting the security of the national food supply, along with the Department of Health and Human Services, the Environmental Protection Agency, and state and local health agencies. Working together, these agencies share information and coordinate food safety activities from farm to table. According to the Centers for Disease Control and Prevention, the incidence of reported foodborne illnesses under surveillance in the United States has declined in recent years; however, foodborne diseases still cause over five million illnesses and up to 9,000 deaths annually. Government food safety agencies are committed to a goal of reducing by 25 percent, from 2000-2005, the incidence of foodborne illness in this country.

While existing public health data do not allow specific linkages between the prevalence of foodborne hazards, and the level of foodborne illnesses, USDA's Food Safety and Inspection Service (FSIS) has several performance standards in place to address product safety. These include



pathogen reduction performance standards for salmonella. Monitoring establishment performance data indicates that the prevalence of salmonella on meat and poultry products has declined.

While FSIS has been moving in recent years to a science-based food safety regulatory system, the underlying meat inspection laws, put in place in the early 1900s, have not been updated to reflect modern risk knowledge. Efforts to implement inspection processes that are more risk based currently face legal challenges. For example, in October 1999, FSIS began testing a new slaughter inspection model. Independent testing of the new inspection procedures showed superior food safety benefits over the traditional inspection system. However, the expansion of the new system outside of several pilot plants has not occurred due to ongoing litigation that challenges the statutory basis of FSIS to implement procedures that differ from traditional inspection.

The budget proposes increased funding for risk prevention activities and improved risk management systems to maximize food safety. In addition, the budget includes a proposal to replace the existing overtime fee structure with a revised structure that would reduce existing overtime rates, while also charging fees for inspection services currently provided without reimbursement for second and third shifts. The budget also contains a new annual licensing fee proposal that will make funds available, in subsequent years, for FSIS to invest in food safety inspection technology.

## Pest and Disease Outbreaks

USDA recently released an independent risk assessment on Bovine Spongiform Encephalopathy (BSE), or Mad Cow Disease, which showed a very low risk of BSE in the United States. Early protection systems to safeguard against BSE, put into place by USDA and the Department of Health and Human Services, have been successful. The BSE risk assessment will be helpful in identifying additional steps that government and industry should take to keep the risk at a very low level.

The Animal and Plant Health Inspection Service (APHIS) is the primary agency involved in the BSE plan—APHIS is responsible for protecting the United States from pests and diseases of plants and animals. APHIS programs represent a continuum of actions that include: working with foreign nations to set agreed upon standards of purity; inspecting people and cargo entering the country for prohibited articles; monitoring plant and animal health; and actively responding to infestations that threaten farms and ranches. Besides working with foreign governments to reduce the risk of the entry of pests and diseases, APHIS has over 3,500

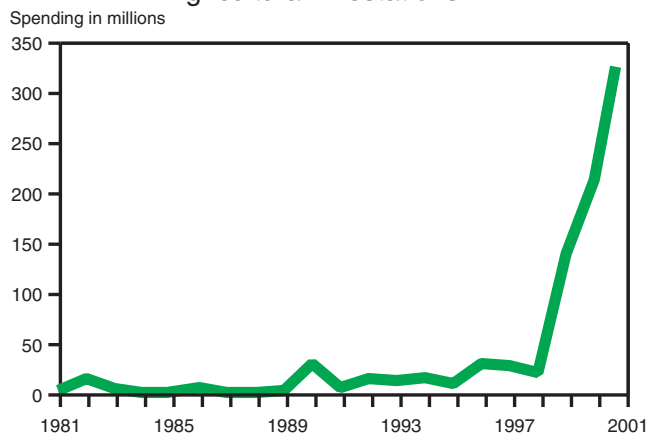


Quincy, a USDA beagle, inspects passenger baggage.

inspectors, working closely with the U.S. Customs Service, to prevent the entry of prohibited (potentially dangerous) agricultural products. USDA continually monitors plant and animal health to detect and respond to exotic disease introductions, and to combat ongoing infestations, such as the Asian Longhorned Beetle and Citrus Canker. APHIS also enforces the humane treatment and care of animals covered under the Animal Welfare Act. APHIS programs have demonstrated success in many of these areas, such as: minimizing the number of fruit fly outbreaks established

in the United States (by an almost 10 fold reduction in square mileage); and increasing the area eradicated of boll weevil by about 700,000 acres.

### Growth in Emergency Funding to Combat Agricultural Infestations



The 2003 Budget proposes an increase of \$75 million in pest and disease exclusion and monitoring programs to guard against the threat of foreign animal diseases, such as Foot and Mouth Disease (FMD), entering the United States.

The 2003 Budget also proposes to fund the ongoing costs of combating infestations through the annual budget request to the Congress—and proposes a \$175 million increase for these activities—rather than through emergency funding authority. In addition, the budget proposes to establish criteria for cost-share rates for these programs, to be published for public comment in 2002.

## Stewardship on Our Farms and in Our Forests

Farmers, ranchers, and private forest landowners own and manage two-thirds of the nation's land and are stewards of much of our soil, air, and water. USDA provides these landowners with technical and financial assistance needed to effectively conserve natural resources. Efforts to improve and implement conservation technologies over the past two decades have reduced soil erosion on crop land and pasture by 1.2 billion tons (40 percent), and those gains are spread widely across all major farming regions. These natural resources are critically important for keeping our nation's economy competitive and for solving challenges we face in agriculture, energy production and use, and the environment. As a result, federal conservation and forestry dollars must be invested as effectively as possible. This budget proposes to improve the quality, effectiveness, and efficiency of the federal government's investments in conservation and forestry by improving management at USDA and refocusing resources to "on the ground" efforts. To meet this commitment, key performance measures in conservation and forestry are identified.

### Clean Water

Agriculture has a significant impact on the nation's water. While, overall, water quality has dramatically improved, the application of fertilizers, manure, and pesticides have degraded the quality of streams and shallow ground water in some agricultural areas. Commercial fertilizers and animal manure are among the primary nonpoint sources of nitrate and phosphorus in surface water and groundwater.

- High concentrations of phosphorus lead to nuisance plant growth in nearly 80 percent of streams sampled by the Environmental Protection Agency, leading to low levels of dissolved oxygen that harm fish and other aquatic life.
- At least one pesticide was found in more than 95 percent of stream samples.

- A Natural Resources Conservation Service (NRCS) study found that the number of counties where manure nutrients exceed potential plant uptake and removal has doubled in the last 15 years.

Water quality improvements and wetland protections can be achieved through voluntary measures. The Administration, working with states, is seeking to achieve voluntary environmental improvements by targeting its technical and financial assistance to farmers and ranchers who operate in the watersheds with the greatest needs. In 2003, the NRCS will spend \$118 million, an increase of \$48 million, to provide animal feeding operation owners with technical assistance to develop voluntary nutrient management plans designed to protect water quality to the extent possible.

Part of this effort in focusing assistance on the areas and activities of greatest need is to reduce or eliminate under-performing or ineffective programs. USDA's Watershed and Flood Prevention Operations program provides technical and financial assistance to plan and install small dams and other watershed-based projects for purposes of flood prevention, irrigation water management, and sedimentation control. Data show that the Army Corps of Engineers' flood damage reduction program returns 50 cents more per dollar invested than the USDA program (see the Army Corps of Engineers chapter). Consequently, the budget closes out USDA's flood mitigation projects, which struggle to achieve the required cost-benefit ratio.

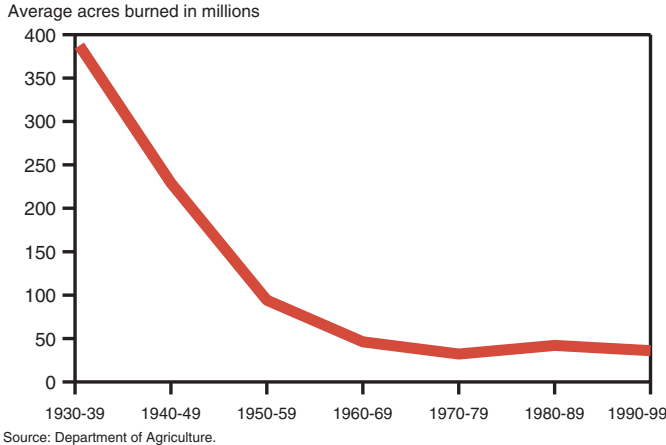
### **Restructure the Forest Service to Improve Performance**

Americans cherish national forests and national grasslands for the values they provide—clean water, clean air, natural scenic beauty, protection of rare species, and opportunities for unparalleled outdoor adventure. However, the burden of too many organizational layers and a cumbersome decision-making process have reduced the amount of funds available to professionals who work in our national forests. This has reduced the level of conservation work at the national forests to exceedingly low levels. The budget includes significant management reforms for the Forest Service that will improve service to citizens and increase administrative efficiencies by putting more foresters in the forests. These reforms include:

- “One-stop shopping” for the public and reduced federal overhead expenses by co-locating 22 Forest Service and Bureau of Land Management offices by the end of 2005;
- An increase of resources to the field by reducing Forest Service indirect expenses in half by 2005;
- Placement of Forest Service personnel closer to the resource by relocating or reassigning Washington Office and regional office employees; and
- Development of a model forest office by increasing the amount of resources available for contracting out to local communities and significantly increasing the amount of cost-share assistance for leveraging projects on federal lands.

To overcome inertia and an excessive decision-making structure, USDA will develop legislation in 2003 to establish “charter forests.” This proposal would establish certain forests or portions of forests as separate entities, outside the Forest Service structure, that report to a local trust entity for oversight. Like charter or magnet schools, this proposed structure would avoid the central bureaucracy and thereby reduce organizational inefficiencies, while emphasizing local involvement, and focusing upon specific programmatic goals, such as forest ecological restoration or hazardous fuels reductions.

## Decades of Limiting Wildfires



Service and other land management agencies have emphasized fire suppression. This approach has exacerbated the risks from damaging catastrophic wildfires, since woody undergrowth that would have burned away in smaller, less-intense fires now has grown into thickets across the West.

Costs for suppression have also risen as the other chart shows. In 2001, the Forest Service spent \$1,300 per acre in suppressing fires on 573,000 acres of forests, an increase in cost per acre of almost 300 percent over 2000. In comparison, wildfire suppression costs for the Department of the Interior (DOI) averaged about \$235 per acre, although much of DOI's lands are grasslands, which burn less intensely than forests. In some western areas, the government pays more in suppressing fires than the fair market value of the structures threatened by those fires. It would literally be cheaper to let the fires burn and pay 100 percent of the rebuilding cost.

The Forest Service is looking at a variety of ways to control the costs of fire suppression. For example, the Forest Service will work with state and local governments to identify areas to pilot test "fire plain easements" as a way to protect lives while ensuring that taxpayer funds are used wisely.

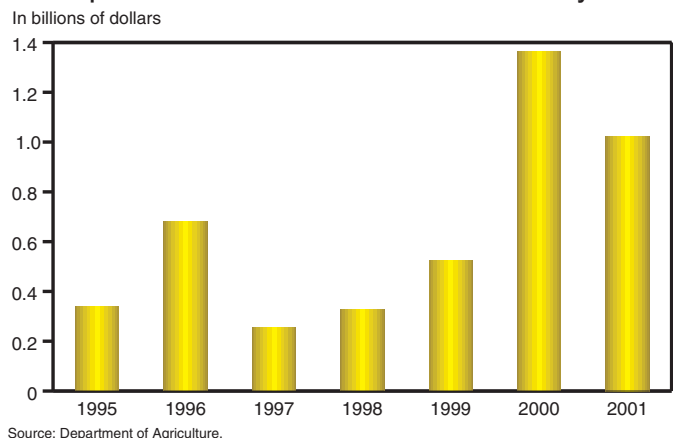
Another way to protect communities and lower fire-fighting costs is to reduce the amount of brush and small trees, especially in areas adjacent to human populations. The President's Budget funds the Forest Service Hazardous Fuels Treatments program at \$229 million, with over 70 percent of funds directed to the wildland-urban interface. This will result in the completion of buffers at eight percent of eligible vulnerable communities by the end of 2003.

## Wildfire Management

The long history of controlling wildfires has an unfortunate side effect—successful suppression of fires in the past has led to larger and more intense fires today. At the same time, more people are moving into areas that have traditionally been wildlands. With larger, more intense fires threatening more homes and businesses, the costs of wildfire suppression have risen dramatically.

Wildfires are a natural occurrence that help to maintain forest health and wildlife habitat. However, as the accompanying chart shows, the acreage burned from wildfires has declined sharply over the years, as the Forest

## Federal Wildfire Suppression Expenditures Have Risen Dramatically



This budget also emphasizes improvements in fire management planning, and will incorporate the results of several ongoing program reviews, so that better decisions can be made regarding when and how to fight fires, and fire program performance and cost effectiveness. The budget anticipates the cost of fighting fires in a typical year. Accordingly, wildfire suppression is funded at a 10-year average of \$423 million.



On average, 832,000 acres burn in national forests annually.

### **Fulfilling a Commitment to Land Protection**

National forests and grasslands support the richest variety of habitats of any land management system in North America and a great variety of plants and animals depend upon them. To protect these resources, the President's Budget includes \$15 million to expedite endangered species consultations to ensure careful management of food, water, space, and shelter for these species. The budget also includes an increase of \$9 million to expand recreation, heritage, and wilderness management, while also focusing upon improving the ecological integrity of the forests, both in terms of forest health and forested areas restored.

The budget includes full funding of the Forest Service portion of the Land and Water Conservation Fund (LWCF), and increases funding to \$70 million in the Forest Legacy program to protect against the loss of forests from development. LWCF funds provide clean water, maintain contiguous forests, preserve wildlife habitat, and protect archaeological and historical sites. The budget promotes the protection of environmentally sensitive acres targeted at conservation needs that foster better cooperation among the land management bureaus and between the bureaus, states, and local interests. Over \$51 million is provided to address a backlog in repair and maintenance of existing facilities.

The budget proposes to establish incentives for cost-effective, non-regulatory, market-based approaches to conservation, including a more business-like approach for timber sales by stimulating competition. This proposal will allow conservation and recreation groups and others to bid on timber sales. In addition, to provide an incentive for private, voluntary land protection, the budget includes a 50 percent capital gains tax exclusion for private landowners who voluntarily sell land or water to a government agency or qualified conservation organization for conservation purposes.

### **Feeding People in Need**

The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) saves lives and improves the health of nutritionally at-risk women, infants and children. Numerous government and private studies show that WIC is one of the nation's most successful and cost-effective early intervention programs. Research documents the success of WIC in improving birth outcomes and saving health care costs. In addition, studies have demonstrated that WIC improves: diet and diet-related outcomes; infant feeding practices; immunization rates; access to health care; and cognitive development.

The budget reflects this demonstrated success by increasing the program's funding by \$364 million in 2003, making certain that all eligible people who seek services receive them. The budget provides almost \$4.8 billion in 2003, including a \$150 million contingency fund. The request is sufficient to serve 7.8 million people monthly and the contingency fund will ensure that the program can expand to serve an increasing number of eligible persons should that be necessary for any reason.

#### **Why WIC Works**

More than a decade ago, the high cost of infant formula threatened to limit the number of people WIC could afford to serve. Fortunately, two WIC state agencies discovered an innovative way to trim the program's costs without reducing its benefits.

Understanding that the large quantities of infant formulas the program was purchasing gave it a unique bargaining position, WIC agencies in Tennessee and Oregon negotiated contracts that offered infant formula manufacturers exclusive rights to the WIC market in return for discounted prices. The agreements, which saved the two states more than a dollar on each can of formula, were quickly replicated by other states eager to expand WIC's reach without increasing its costs.

Today, all WIC's state agencies are required by law to negotiate discounted infant formula contracts. The result: WIC will save \$1.5 billion in 2002, allowing the program to reach nearly two million individuals who would otherwise not have been served at the program's current funding level.

#### **Food Stamps**

The budget proposes to reauthorize and improve the Food Stamp program. Food stamps alleviate hunger and malnutrition among low-income individuals. In 2003, the program will provide approximately \$20.3 billion in benefits to 20.6 million people. The federal government will provide an additional \$3.7 billion for state administrative costs, job training programs for food stamp recipients, and the Puerto Rico Nutrition Assistance block grant.

Complex Food Stamp rules create a program that is highly targeted to the neediest individuals but at the same time, administratively burdensome for states and recipients. Other program rules pose a barrier to supporting working families. The President's Food Stamp proposal greatly simplifies program rules, encourages work, and improves program accountability. The package standardizes the medical and dependent care deductions, eliminates exceptions to the standard utility allowance, and excludes interest and dividend income from income tests. At the same time, the budget phases in a higher standard deduction to improve benefits for large households.

The budget restores benefits to legal immigrants five years after entry to the United States, ensuring adequate nutrition among children and other vulnerable individuals, while requiring recent arrivals to support themselves through earnings. To lower transportation barriers to work, the budget excludes one vehicle per adult from program asset rules, allowing a low-income worker to own a reliable car for getting to work without losing benefits.

The budget improves performance incentives for states by reforming the quality control system, replacing enhanced funding with performance bonuses, and removing the federal cost cap for electronic benefit transfer systems. The budget also tightens overly broad waivers from eligibility criteria and reduces, but provides greater flexibility for, the use of employment and training funds.

The budget maintains a strong focus on improving program integrity with a goal of reducing the national average error rate from 8.91 percent for 2000 to 8.7 percent for 2002. This improvement is

projected to save \$40 million in 2002. With an additional \$4 million for food stamp payment accuracy initiatives in 2003, FNS will redouble its efforts to reduce erroneous payments, especially in states with the highest error rates.

The budget also improves federal oversight of meals programs for the elderly by transferring USDA's Nutrition Services Incentive Program to the Department of Health and Human Services (HHS) and consolidating it with HHS elderly meals programs.

### Supporting Rural America

Since the 1930s, USDA has been in the business of promoting economic development in rural America through a variety of loan and grant programs that assist rural communities in addressing their infrastructure, housing, and economic development needs. On average, USDA annually provides over \$10 billion in grants and direct and guaranteed loans, and has an outstanding direct loan portfolio of over \$70 billion.

#### 2003 Rural Development Budget Highlights

- 1.4 million rural residents will have access to clean, safe drinking water.
- 44,000 jobs will be created or saved through RCAP business and community programs.
- 51,000 low to moderate income rural families will have a new opportunity for homeownership.
- Upgrade 225 rural electric systems, benefiting over 3.4 million customers.
- Provide distance learning facilities to over 300 schools, libraries, and education centers and telemedicine equipment to 150 health providers.
- Develop innovative ways to fund new multifamily housing projects. Ensure allocation processes target the most needy areas and state-identified priority locations.

Thirty percent of rural counties have a declining population, according to recent census data, and nearly a quarter of non-metro households pay 30 percent or more of their income for housing costs. Smaller rural communities often have fewer sources of credit than their urban counterparts, and "patient" capital for start-up businesses, in particular, is more scarce in rural areas.

- The needs of rural areas are so different that no single approach can meet the needs of all rural communities. To address that, the Rural Community Advancement Program (RCAP) provides flexible funding to the states for water and wastewater infrastructure, community facilities, such as fire stations and medical centers, and business development. The budget provides a total (loan level plus grants) of \$2.7 billion.
- USDA provides subsidized, means-tested loans and loan guarantees to individuals for homes, and makes subsidized financing

available to developers who offer housing to elderly, disabled, migrant farm workers, or low-income rural residents of multi-unit housing buildings. All the programs are limited to areas with populations of 20,000 or less. In 2003, the direct and guaranteed single family housing programs will fund \$3.7 billion in loans and loan guarantees.

- USDA provides loans to cooperatives and private companies for electric and telecommunication service throughout rural America. The electric and telecommunications

programs are not targeted to needier areas and even serve areas that are no longer rural. In the budget, USDA will review the electric and telecommunications programs to determine and implement methods for better targeting of these funds.

### Strengthening Management

USDA has been working for some time on improving service through increasing the efficiency of the network of county offices that are located throughout the United States. In addition, USDA has been improving financial management and information security. However, the Department has a lot of work to do to meet existing management requirements. These initiatives are contained in the President's Management Agenda, discussed below.

Initiative	2001 Status
<p><b>Human Capital</b>—There are skill gaps/imbances across USDA, and USDA is not using existing personnel flexibility. USDA provided a plan detailing how it is going to take advantage of the current skills, improve weak skill areas, and reallocate its workforce to increase frontline service provision. The plan will be modified to reflect adjustments prompted by a new farm bill.</p>	●
<p><b>Competitive Sourcing</b>—The goal is to compete 15 percent of the commercial positions by the end of 2003. Despite a wide array of possibilities, such as administrative personnel, data collectors, groundskeepers, janitors, and veterinarians, USDA has completed no competitions. USDA has recently prepared a plan detailing how it is going to meet the President's goal. USDA has indicated that it will begin competitions later in 2002 and continue into 2003.</p>	●
<p><b>Financial Management</b>—Some USDA financial systems do not comply with federal financial management systems requirements or applicable federal accounting standards. A significant Anti-Deficiency Act violation occurred in the Forest Service in 2000. Such a violation of law occurs when an agency spends more money than is given to it by Congress. Auditors have been unable to express an opinion on the combined USDA financial statement and the Forest Service's stand alone financial statement. While improvements have been made, this audit outcome has not substantively improved since 1996. USDA is close to implementing a Department-wide compliant financial system, and continues to work with the Inspector General and OMB on improving the processes and procedures used to estimate and re-estimate loan subsidy costs. Finally, USDA is working with the Forest Service on improving the control of property, plant, and equipment.</p>	●



Initiative	2001 Status
<p><b>E-Government</b>—Many, but not all, major USDA system investments have been adequately justified and supported by well-drawn business cases. Many, but not all, of the projects are operating within 90 percent of cost, schedule, and performance targets. USDA is deploying Geospatial Information Systems and participates in Firstgov.gov. USDA is taking steps to more effectively plan and manage its information technology investments and has recently developed an enterprise architecture plan.</p>	●
<p><b>Budget/Performance Integration</b>—The goal is to provide greater focus on performance. USDA's performance measures are only imperfectly tied to the budget. Performance measures did not accompany the budget submission, and do not drive any budget requests. There are no clear performance targets to achieve. Sporadically across USDA, performance measures describe outputs generated by the budget after budget levels are determined. USDA needs to align processes and budget accounts to track the full cost of programs and measure achievement of program goals. USDA needs to develop a plan to better integrate performance measures into the budget process.</p>	●

### Department of Agriculture

(In millions of dollars)

	2001 Actual	Estimate	
	2002	2003	
<b>Spending:</b>			
Discretionary Budget Authority:			
Commodity and International .....	2,545	2,679	3,143
Rural Development .....	2,725	2,600	2,601
Forest Service .....	4,589	4,274	4,099
Conservation.....	1,072	1,019	1,059
Food and Nutrition Service .....	4,491	4,811	5,078
Research, Education, and Economics .....	2,164	2,353	2,284
Marketing and Regulatory Programs .....	1,751	1,621	1,720
Legislative proposal .....	—	—	-34
Central Activities.....	472	481	549
Subtotal, excluding changes to mandatory programs....	19,809	19,838	20,499
Mandatory savings proposals.....	—	—	-688
Subtotal, discretionary budget authority adjusted <sup>1</sup> .....	19,809	19,838	19,811
Remove contingent adjustments .....	-425	-452	-463
Total, Discretionary budget authority.....	19,384	19,386	19,348
Emergency Response Fund, Budgetary Resources:			
Research, Education, and Economics .....	—	113	—
Marketing and Regulatory Programs .....	—	134	—
Food and Nutrition Service .....	—	39	—
Departmental Administration.....	—	81	—
International Food Aid .....	—	95	—
Total, Emergency Response Fund, Budgetary resources .....	—	462	—

### Department of Agriculture—Continued

(In millions of dollars)

	2001 Actual	Estimate	
		2002	2003
<b>Mandatory Outlays:</b>			
Food and Nutrition Service .....	28,620	33,083	35,015
Legislative proposal .....	—	—	29
Commodity Credit Corporation .....	22,095	17,310	11,621
Legislative proposal .....	—	4,200	7,271
Farm Loan Programs .....	-1,413	446	-767
Crop Insurance .....	2,463	2,883	2,900
Forest Service .....	432	-68	-104
Animal and Plant Health Inspection Service .....	149	146	329
International Programs .....	-443	-358	-428
Rural Development .....	-2,415	-2,741	-2,823
All other programs .....	903	824	801
Subtotal, Mandatory outlays adjusted <sup>1</sup> .....	50,391	55,725	53,844
Remove contingent adjustments .....	-30	-30	-20
Total, Mandatory outlays .....	50,361	55,695	53,824
<b>Credit activity:</b>			
<b>Direct Loan Disbursements:</b>			
Farm Loans .....	1,141	1,168	1,042
Commodity Credit Corporation .....	8,267	10,624	8,844
Rural Utilities Service .....	2,263	2,577	2,788
Water and Wastewater .....	694	800	779
Rural Housing .....	1,212	1,290	1,160
Rural Community and Economic Development .....	219	328	333
Rural Business and Industry .....	27	30	6
P.L. 480 .....	262	119	107
Total, Direct loan disbursements .....	14,085	16,936	15,059
<b>Guaranteed Loans:</b>			
Farm Loans .....	2,200	2,988	3,025
Commodity Credit Corporation .....	2,183	3,926	4,225
Rural Utilities Service .....	35	120	229
Rural Housing .....	2,171	2,817	2,751
Water and Wastewater .....	—	43	72
Rural Community and Economic Development .....	15	155	179
Rural Business and Industry .....	809	1,777	1,294
Total, Guaranteed loans .....	7,413	11,826	11,775

<sup>1</sup> Adjusted to include the full share of accruing employee pensions and annuitants health benefits. For more information, see Chapter 14, "Preview Report," in *Analytical Perspectives*.