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Report to Congressional Requesters

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FARM PROGRAMS

Impact of the 1996 Farm Act on County Office Workload

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**Resources, Community, and
Economic Development Division**

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The Honorable Gil Gutknecht
The Honorable Kenny Hulshof
House of Representatives

U.S. farm programs have historically been implemented by the U.S. Department of Agriculture (USDA) through offices located in the nation's agricultural counties. Two recent acts have significantly affected the nature of operations in these county offices. The Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (P.L. 103-354, Oct. 13, 1994) directed the Secretary of Agriculture to streamline departmental operations by consolidating county offices and merging agricultural credit with other farm program activities. In 1996, the Federal Agriculture Improvement and Reform Act (P.L. 104-127, Apr. 4, 1996) fundamentally changed the federal government's role in supporting agriculture and offered the opportunity to reduce county office workload.

Under the 1996 act, annual calculations of acreage devoted to agriculture and associated payments to farmers were discontinued and replaced by 7-year production flexibility contracts that provide annual payments to farmers through 2002. USDA and the Office of Management and Budget projected that workload and staffing in the county offices, operated since 1994 by USDA's Farm Service Agency (FSA), would decline because of these changes. As a result, the Office of Management and Budget has proposed reducing FSA's county office staff, formerly part of USDA's Agricultural Stabilization and Conservation Service (ASCS), by more than 50 percent, from 11,729 employees in 1997 to 4,879 by 2002.

Concerned that the workload in county offices did not decrease as a result of the 1996 act and that the proposed future reductions in county office staffing would adversely affect FSA's delivery of federal agriculture programs, you asked us to review the impact of the 1996 act on county office workload.

Results in Brief

Because of the limited availability of the Farm Service Agency's fiscal year 1997 actual workload data and changes in the U.S. Department of Agriculture's program and organizational structure resulting from the 1994 act, it is not possible to determine the impact of the 1996 act on the workload of the Farm Service Agency's county offices. The agency's workload system reflects workload data at the end of the fiscal year in which the work was performed. However, because only 6 months of data were available for fiscal year 1997 at the time of our review, we could not measure the impact of the 1996 act on county office workload. Furthermore, the 1994 act generated a number of changes affecting the agency's staffing and responsibilities. Because these changes were being implemented at the same time as the changes directed by the 1996 act, it is not possible to isolate the impact of either set of changes on the resulting workload. The 1994 changes include the addition of responsibilities for agricultural credit and crop insurance programs and changes to the Department's county office structure.

At the 16 county offices we visited, county executive directors believed that the overall workload per employee has increased since the passage of the 1994 act. They stated, however, that a number of factors have affected staffing and workload during this period and that the role of the 1996 act on the perceived workload increases is indeterminable. Because of the absence of a full year of 1997 data and additional issues identified at the county office level, we cannot confirm the county executive directors' observations or isolate the impact of the 1996 act on any workload changes that may have occurred in these offices.

While the results of our work concerning the impact of the 1996 act on workload levels are inconclusive, available information generally confirms the observations of the agency's budget officials that each county office requires about 2 staff years to handle the basic administrative functions associated with keeping the office open and functioning during the day. In this connection, about 350 of the existing 2,440 county offices have three or fewer employees. It will be extremely difficult for these small offices to experience further staff reductions and still remain viable operations. Accordingly, unless additional county offices are closed, any future staff reductions will probably be concentrated in the larger offices, which, unlike smaller offices, allocate a higher proportion of their total costs for service to farmers than to overhead.

Background

USDA has delivered farm programs through county offices since 1933. At that time, to serve more than 6 million farmers, ASCS had a county office in nearly all of the 3,100 agricultural counties in the United States. These county offices were managed by a county executive director hired by a committee of locally elected farmers. The director supervised employees who administered commodity programs for crops such as wheat, feed grains, cotton, rice, tobacco, and peanuts; conservation programs, such as the Conservation Reserve Program; and emergency assistance.

As the number of farms in the United States has declined to the current level of about 1.9 million and transportation and communications have improved, USDA and the Congress have at various times attempted to reduce the number of county offices or reduce county office staffing. The 1994 act was the latest such effort. Under the 1994 act, FSA was created by merging the staffs of the former ASCS and part of the former Farmers Home Administration. Many of the newly formed FSA offices continue to be managed by a county executive director hired by a committee of locally elected farmers. The former ASCS' staff was reduced from 13,432 in 1995 to 11,729 in 1997, while about 2,200 former Farmers Home Administration employees were assigned to FSA's county offices to help administer agricultural credit programs.

The 1996 act significantly changed USDA's administrative requirements for the commodity programs. From the 1930s through 1996, USDA provided annual payments—more recently called deficiency payments—to participating farmers under federal commodity programs. These payments were based on annual calculations involving historical acreage devoted to agricultural production, market prices for crops, and support prices set by the Congress and the Secretary of Agriculture. Participation in the commodity programs was limited to farmers who agreed annually to limit production in order to receive deficiency payments. This annual requirement no longer exists.

Under the new program, any one whose farm had a recorded planting history for wheat, feed grains, cotton, and rice in any single year from 1991 to 1995 could sign a production flexibility contract. Those who signed these contracts in 1996 are generally eligible to receive annual payments through 2002, regardless of the crop planted. Although signing up for the program was to be a one-time event, changes in farming operations may require participants to modify their contracts. For example, USDA's annual payments to farms that are leased are normally shared between the farmer and the landowner. Because many leases are for only 1 year, these contracts will need to be revised annually to reflect current lease agreements. In addition, land comes out of the Conservation Reserve Program annually, and this land can be signed up in the new program.

In carrying out their program management responsibilities, county office staff perform a variety of tasks, including informing farmers of available programs and their requirements; signing up producers to participate in the programs; and maintaining basic information on program participants in their county, including the names and addresses of producers, the tracts they farm, the programs they participate in, and the payments they receive. While the 1996 act has reduced the need for some basic crop information, other information is still needed to ensure compliance with the requirements of related farm programs and to make certain that annual payment limitations to any single individual are not exceeded.

For a number of years, FSA has used its work measurement and workload systems to capture the work performed in county offices and provide a basis for projecting county offices' annual needs for staffing and administrative funding. To make these projections, FSA selects about 6 percent of its county offices (currently 157 of 2,440 offices) to represent county offices nationwide. FSA attempts to include in its 6-percent sample offices representing different farming practices and commodities, as well as offices of different sizes. At these offices, FSA records the amount of time staff spend on each of the over 150 different work activities that define FSA's workload. FSA applies these statistical data from the 157 work measurement offices to the workload units reported by all county offices in order to project staffing needs for each of the 2,440 county offices nationwide. In recent years, because of directed staff reductions, the system also has been used as a tool to help distribute staff cuts. The calculated workload for each county office includes fixed costs, such as general administration, training, and computer maintenance operations.

USDA's budget submission for fiscal year 1998 proposes a reduction of 1,850 former ASCS employees from 1997 levels. This proposed reduction is made up of two components. First, FSA concluded that 850 fewer employees were needed to handle its projected workload. Second, USDA agreed to reduce FSA's staffing by an additional 1,000 employees to meet the budget reduction targets set forth in the President's 1998 budget proposal. Beyond 1998, the Office of Management and Budget has proposed cutting former ASCS employees, now at FSA, by an additional 5,000, down to 4,879 employees by fiscal year 2002.

Available Data and Changes Resulting From the 1994 Act Make It Difficult to Provide a Clear Picture of Changes in Workload

Two factors—a limited amount of available data following the implementation of the 1996 act and other changes triggered by the 1994 act—make it difficult to isolate and assess the effects of the 1996 act on workload levels in county offices.

Available Data Do Not Provide Sufficient Information to Assess the Impact of the 1996 Act

FSA's work measurement and workload systems provide the agency with a management tool for determining workload distribution and resource staffing needs. Workload data are captured at the end of the fiscal year. Our efforts to measure the impact of the 1996 act were hamstrung by the lack of availability of a full year's workload data following the act's implementation. To measure this impact, we would need to compare the data for a full year prior to and following the act's implementation. Partial year comparisons are not useful because farm program activities are not always implemented at the same time each year. As of June 1997, only 6 months of data were available on FSA's workload following the implementation of the 1996 act.

Changes Other Than the 1996 Act Affect FSA's Workload

A number of factors triggered by the 1994 act have also affected workload levels in county offices, making it difficult to isolate the impact of the 1996 act. These changes include the addition of responsibilities for agricultural credit and crop insurance programs and changes to USDA's county office structure. As a result, county office staff have assumed new responsibilities and undergone organizational and staffing changes at the same time that the 1996 act was reducing responsibilities for traditional commodity programs. Determining the effect of the changes resulting from the 1996 act in this context is not possible.

One of the major changes brought about by the 1994 act was the transfer of agricultural credit responsibilities to FSA's county offices. Even though about 2,200 former Farmers Home Administration employees were added to the county offices to help administer these responsibilities, many FSA employees previously responsible for administering commodity programs are now also administering portions of the agricultural credit programs. These additional responsibilities cloud comparisons of workload before and after the 1996 act.

The 1994 act also assigned FSA the responsibility for a new catastrophic crop insurance program.[1] The Congress directed all FSA offices to make catastrophic insurance available to all farmers. Farmers were required to obtain this insurance—either from FSA or a private insurer—if they wanted to participate in USDA's commodity programs. Approximately 450,000 farmers purchased catastrophic crop insurance from FSA's county offices in fiscal years 1995 and in 1996. FSA did not receive any additional staff to carry out these responsibilities. Once again, the evolving nature of responsibilities in FSA's county offices complicates any comparison of workload over this time period.

Finally, the reorganization mandated under the 1994 act required the Secretary of Agriculture to streamline the Department's operations. Within FSA, this effort has been accomplished in fiscal years 1995 through 1997 by reducing staffing in those county offices with the largest number of employees as well as by closing about 150 county offices and transferring the responsibilities of these offices to other county offices. These changes make it difficult to determine the impact of the 1996 act on county office workload.

County Executive Directors Believe Workload Per Employee Has Increased Since 1994

Lacking a clear picture of workload changes from the existing national workload measurement system, we visited 16 county offices to get a first-hand impression of workload levels and any recent changes in these levels. (App. I provides descriptive information on these county offices.) The 16 county executive directors told us that while some aspects of their offices' work have decreased since the passage of the 1996 act, their offices have also taken on new responsibilities. These additions, coupled with reductions in the staff formerly dedicated to administering commodity-related programs, have resulted in increasing the per person volume of work for the remaining staff.

County executive directors acknowledged that the time spent on specific activities for the commodity programs—both enrolling farmers in the programs and ensuring compliance with the program's requirements—has decreased since the passage of the 1996 act. This decrease has occurred because the new production flexibility contracts require less information from farmers and less oversight by county office staff than did the commodity programs. However, the directors believed that this decrease

[1]The 1996 act subsequently directed the Secretary of Agriculture to phase out this responsibility for the federal government as the private sector demonstrated sufficient capacity for delivering this line of crop insurance.

was largely offset by increases in the number of contracts needed to be completed because of the increased level of participation in the program.

County executive directors offered a number of observations to support their view that workload per person has increased overall. First, they pointed out that the initial enrollment for production flexibility contracts in 1996 doubled the number of participants from those previously participating in the commodity programs from 3 million to 6 million. The enrollments were a one-time event that will not be repeated, except for land leaving the Conservation Reserve Program. However, a certain proportion of farmers will have to amend their contracts periodically. Amendments are necessary when changes are made to (1) farm ownership, (2) leasing relationships, or (3) payment provisions. The volume of work associated with these changes in 1997 and beyond will be less than the work associated with the initial enrollments. However, because only 6 months of data for fiscal year 1997 are available, we do not have a basis for assessing the full impact on the workload for 1997 and beyond.

Second, the directors stated that the increased level of participation has resulted in a higher volume of work associated with ancillary recordkeeping activities, such as recording changes in farm ownership. As with the volume of work associated with amending the contracts, we cannot determine the amount of work that will be required for these ancillary activities in 1997 and beyond.

Third, in addition to the changes brought about by the production flexibility contracts, other programs—conservation, crop insurance, and agricultural credit—have also contributed to changes in county office workload since 1994, according to the 16 county executive directors. For example, in the seven county offices that did not receive additional staff to administer agricultural credit programs, existing staff had to assume some responsibility for these programs in addition to their other duties. These responsibilities include accepting applications for direct farm loans and servicing these loans.

Fourth, directors at two county offices pointed out that their county was assigned workload responsibilities from other county offices that were closed as a result of the 1994 act.

Concurrent with changes in the work activities, county executive directors told us that they experienced decreases in the number of staff available and trained to process commodity-related program requirements. In this connection, staff formerly dedicated to administering the commodity-related programs were reduced in 10 of the 16 county offices we visited by a total of 19 staff years—from 78 to 59. Overall, however, the total staffing at the 16 offices we visited increased from 105 in fiscal year 1995 to 115 in fiscal year 1997. This increase resulted from the addition of 29 former Farmers Home Administration employees, who are primarily responsible for administering agricultural credit activities.

Because of the absence of a full year of 1997 data and additional issues identified at the county office level, we cannot confirm the county executive directors' observations or isolate the impact of the 1996 act on any workload changes that may have occurred in these offices.

Fixed Administrative Costs in FSA's County Office Structure Will Significantly Affect Any Future Reductions in County Office Staffing

Regardless of its size, each of FSA's 2,440 county offices requires a certain fixed amount of time and resources to carry out basic office functions and train staff to administer FSA's programs. FSA budget officials estimated that 1.3 staff years per office are needed to carry out the basic administrative duties for keeping the office open. These duties include activities such as obtaining and managing office space, paying utilities, and processing paperwork related to payroll. Additional time is needed to train staff on the specific characteristics of program operations so that they can effectively serve participating farmers. In total, these fixed costs may represent almost 40 percent of county offices' total workload. Our analysis of USDA's workload data produced a similar outcome. The data indicated that about 2 staff years of effort per office is being devoted to the activities associated with keeping the office open and functioning.

USDA's previous reductions in county office staffing have been achieved primarily by reducing staff at county offices with more than three employees and by closing or consolidating smaller county offices. For example, since 1994, FSA has closed 150 offices, most with three or fewer staff. FSA also reduced staff in about 1,400 other county offices. FSA has about 350 county offices with three or fewer staff. USDA has not indicated whether it would achieve future staff reductions by closing county offices and/or reducing the number of staff in the remaining offices.

Because county offices need a minimum of two staff in order to remain in operation, FSA will find it extremely difficult to reduce staff further in its smaller offices. Accordingly, unless additional offices are closed, any future staff reductions will probably have to be concentrated in the larger county offices. Because a lower percentage of staff time in these larger offices is devoted to performing basic administrative functions, a greater proportion is available to provide service to farmers. Concentrating additional staff cuts in these offices therefore runs the risk of diminishing the quality of service to the large number of farmers served by these offices.

USDA is attempting to reduce the impact of future staff reductions on its delivery of services to farmers by changing its organizational structure and by considering the use of different methods for delivering program services. In this connection, the Department has directed its county-based agencies[2] to examine their office structure at every level—headquarters, regional, state, and county—and develop recommendations for improvements in efficiency. USDA has not established a target date for completing this review.

Agency Comments

We provided copies of a draft of this report to the Department's Farm Service Agency for its review and comment. We met with agency officials, including the Associate Administrator. FSA generally concurred with the results of our review, except for the draft report's discussion of the capabilities of the agency's work measurement and workload systems. On the basis of their comments, we revised this discussion to better highlight the key difficulty specifically associated with using data in FSA's systems to examine the change in workload following the implementation of the 1996 act. This difficulty was the unavailability of a complete year of data following the act. We also made a number of technical clarifications throughout the report.

Scope and Methodology

To examine the changes in workload before and after the implementation of the 1996 act, we reviewed USDA's national data on workload and budget for fiscal year 1995 through March 31, 1997. We met with USDA headquarters, state, and county officials to obtain their views on the impact of the 1996 act on county office workload. We also examined the legislative history of the 1994 and 1996 acts.

To determine workload changes at the county office level, we visited 16 county offices. These offices were chosen because they had been among the 53 county offices used to measure workload since 1995 and were

[2]In addition to FSA, these agencies include the Natural Resources Conservation Service and the Rural Development Agency.

located in areas that had different crop and farm activities. The offices we visited were located in Alabama, Arkansas, Arizona, California, Georgia, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Missouri, North Dakota, Tennessee, and Wisconsin. In these county offices, we met with the county executive director and discussed the changes in staffing and workload since 1995, including the details supporting reported workload information. Furthermore, in five other county offices in Georgia, Missouri, Texas, and Virginia, and in state offices in Alabama, Arkansas, Georgia, Indiana, Iowa, Kansas, Kentucky, Minnesota, Missouri, and Virginia, we obtained additional views on the impact of the 1996 act on county office workload.

Because the offices we visited were not selected to constitute a statistically representative sample, we cannot generalize our findings at these county offices to other FSA county offices. Furthermore, we did not analyze the efficiency of county office operations to determine if staffing levels were appropriate. Finally, we did not analyze the quality of services provided before and after the 1996 act.

We conducted our work from February 1997 through August 1997 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Chairmen, Senate Committee on Agriculture, Nutrition, and Forestry and House Committee on Agriculture; other interested congressional committees; the Secretary of Agriculture; and the Director, the Office of Management and Budget. We will also make copies available to others on request.

Please call me at (202) 512-5138 if you or your staff have any questions about this report. Major contributors to this report are listed in appendix II.

Robert A. Robinson
Director, Food and
Agriculture Issues

Contents

Abbreviations

USDA	U.S. Department of Agriculture
FSA	Farm Service Agency
ASCS	Agricultural Stabilization and Conservation Service
FmHA	Farmers Home Administration

Profile of the 16 County Offices Visited

This appendix provides information on the county offices we visited to determine workload changes at the county office level. Figure I.1 shows the location of these offices as well as the other county and state offices we visited. Table I.1 shows the number of employees in each office in 1995 and 1997, including employees with the former Agricultural Stabilization and Conservation Service (ASCS) and former Farmers Home Administration (FmHA); the types of farm activities carried out in the county; and the number of farms associated with these offices according to the 1992 Census.

Figure I.1: Location of County Offices Visited

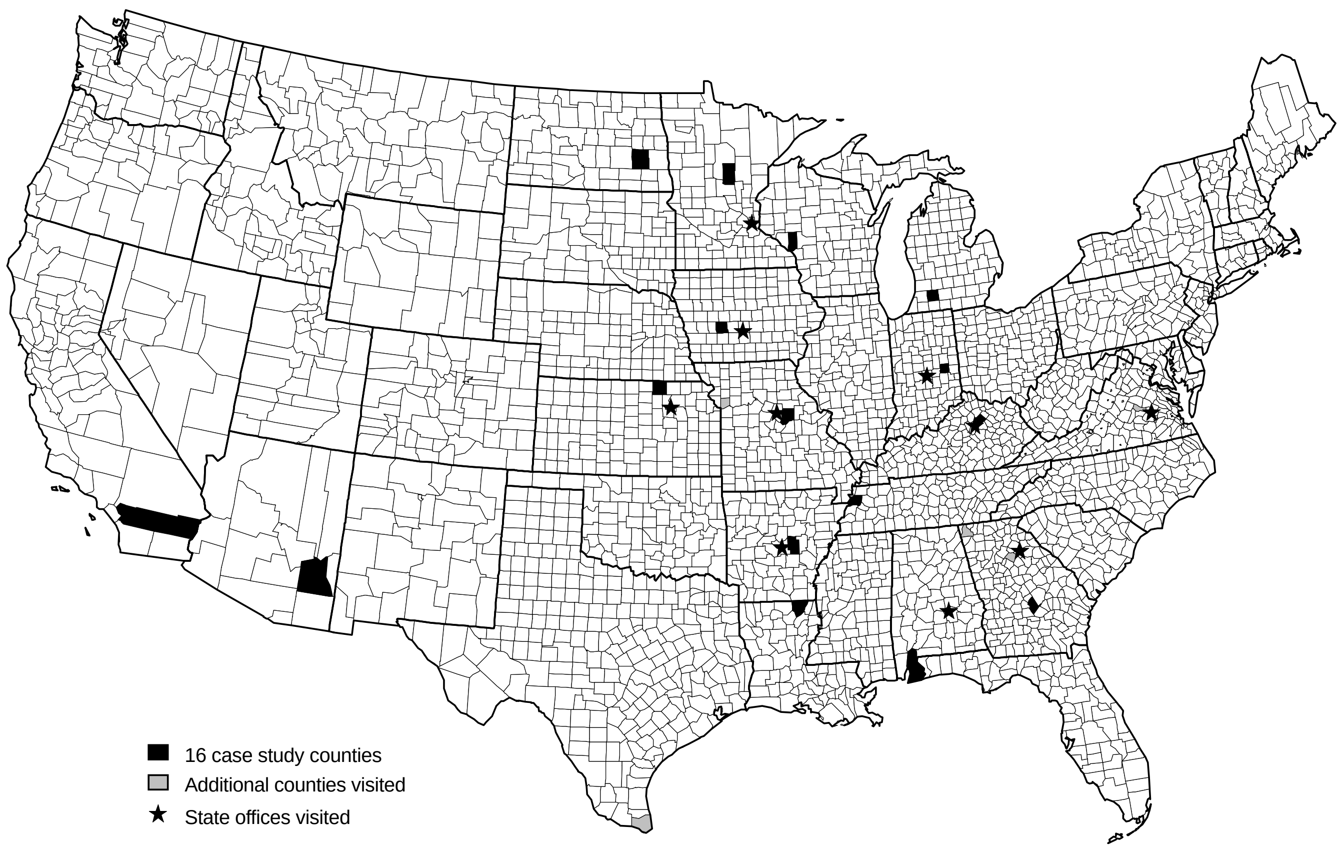

Table I.1: Information on the 16 County Offices Visited

County office	Number of permanent employees: 1995 Former ASCS[a]	Number of permanent employees: 1997 Former ASCS[a]	Number of permanent employees: 1997 Former FmHA[b]	Responsible for additional County	Principal commodities	Number of farms (1992 Census)[c]
Baldwin, Alabama	4	4	0	Shared management	Soybeans, corn, livestock	941
Graham, Arizona	4	4	0	Yes	Livestock, cotton	424
Lonoke, Arkansas	8	7	4	No	Rice, wheat	836
Riverside, California	5	5	3	Yes	Fruits and vegetables, wheat, cotton	10,076
Dodge, Georgia	5	5	0	No	Peanuts, corn, livestock	394
Henry, Indiana	6	4	4	No	Corn, soybeans	848
Guthrie, Iowa	8	6	4	No	Corn, soybeans, livestock	946
Washington, Kansas	9	8	3	No	Wheat, feed grains, livestock	852
Bourbon, Kentucky	4	4	0	Yes	Tobacco, corn	1,683
Morehouse, Louisiana	7	5	3	No	Cotton, soybeans	413
Kalamazoo, Michigan	6	4	0	No	Corn, wheat	745
Crow Wing, Minnesota	4	3	0	Yes	Livestock, dairy	1,104
Callaway, Missouri	5	5	2	No	Feed grains, livestock	1,300
Barnes, North Dakota	11	8	2	No	Wheat, sunflower	839
Dyer, Tennessee	10	7	0	No	Livestock, soybeans	510
Trempealeau, Wisconsin	9	7	4	No	Dairy, corn	1,424
Total	**105**	**86**	**29**	**4 of 15, 1 shared**		

[a]Agricultural Stabilization and Conservation Service.

[b]Farmers Home Administration.

[c]For those county offices that administer programs to another county, this column includes the number of farms from both counties.

Major Contributors to This Report

Ronald E. Maxon, Jr., Assistant Director
Fred Light
Jerry Hall
Paul Pansini
Stuart Ryba
Carol Herrnstadt Shulman
Marge Vallazza

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