



Resources, Community, and  
Economic Development Division

B-282778

June 17, 1999

Congressional Committees

Subject: U.S. Department of Agriculture: Analysis of Budgets, Fiscal Years 1999-2000

We examined the U.S. Department of Agriculture's (USDA) appropriation for fiscal year 1999 and its budget request for fiscal year 2000 for selected programs and initiatives. Our objectives were to identify potential rescissions to USDA's appropriation for fiscal year 1999 and potential reductions or deferrals to its budget request for fiscal year 2000.<sup>1</sup> To identify potential rescissions, we reviewed USDA programs and projects that are expected to have large year-end unobligated balances for fiscal year 1999. To identify potential reductions or deferrals, we reviewed programs and initiatives for which USDA is requesting large funding increases in its fiscal year 2000 budget.<sup>2</sup> USDA is requesting a total of \$55.2 billion in funding for fiscal year 2000.

**Results in Brief**

The Department of Agriculture could have about \$1.7 billion in appropriated funds remaining unobligated at the end of fiscal year 1999, some or all of which could be available for congressional rescission or as a reduction to the Department's fiscal year 2000 appropriation request. In April 1999, Department officials stated that by the end of fiscal year 1999, Agriculture agencies would obligate much of the funds now shown as unobligated. Historically, however, the Department's budget projections that such funds would be obligated during the year often have not been realized. Moreover, the policy of some Agriculture agencies of estimating zero balances for year-end unobligated funds, even though some of the funds are expected to remain unobligated, appears to conflict with the Office of Management and Budget's guidance on estimating year-end unobligated balances. Additionally, some unobligated funds that are retained as contingencies against unanticipated expenses appear excessive. For example, the Risk Management Agency expects an unobligated balance of \$1.4 billion for fiscal year 1999, about 60 percent of that agency's fiscal year 1999 obligations.

<sup>1</sup>A rescission is a cancellation of budget authority that is otherwise available for obligation. A deferral is a temporary withholding or delaying of an obligation or expenditure of budget authority.

<sup>2</sup>The programs identified for both objectives do not represent all of the USDA programs estimated to have unobligated balances or funding increases, but rather are programs we selected because of the large amount of funds involved (see the scope and methodology section for more information on the programs we selected).

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For fiscal year 2000, the Department of Agriculture is requesting about \$2.4 billion in additional funds for selected new initiatives and existing programs, some or all of which could be available for congressional reduction or deferral. This amount includes an additional \$900 million for a contingency reserve for the Food Stamp Program and an additional \$500 million for an anticipated increase in the program's participants. In April 1999, Department officials stated that the funding for these new initiatives and existing programs is justified and necessary. However, this may not be the case. For example, for fiscal year 1999, the Department requested \$1 billion for the Food Stamp Contingency Reserve (the reserve is used if there is an unexpected increase in the number of food stamp participants). The Congress disagreed with the size of the Department's request and chose to reduce the funding for the reserve to \$100 million. And although the Department is requesting \$18.4 billion in benefit funding for the Food Stamp Program for fiscal year 2000 (\$500 million more than in fiscal year 1999) based on its forecast of increased participation in the program, the Congressional Budget Office has estimated that only \$17.8 billion will be needed (\$600 million less than requested).

### **Year-End Unobligated Funds for Selected USDA Programs**

We found that USDA could have about \$1.7 billion in appropriated funds remaining unobligated at the end of fiscal year 1999. (See enc. I for detailed information on estimated year-end unobligated balances for selected USDA programs, fiscal years 1999-2000.) Some or all of these funds could be available for congressional rescission of budget authority for USDA's fiscal year 1999 appropriation or, alternatively, could be used to reduce USDA's fiscal year 2000 appropriation request. Department officials said that during the remainder of the year, USDA agencies would obligate much of these funds. However, our review of past year-end unobligated balances found that in several instances, USDA's budget projections that funds would be obligated during the year were not always realized. For example, we found that USDA estimated no unobligated funds would remain at the end of fiscal year 1998 for four programs that had actual unobligated balances totaling about \$277 million at the end of that fiscal year.<sup>3</sup> Such large unobligated balances raise questions about whether some of these funds could be used elsewhere to meet other congressional funding priorities.

USDA officials also said that it is the policy of some of the Department's agencies to estimate zero balances for programs historically having year-end unobligated funds, even when managers anticipate some funds will remain unobligated at year's end. This practice appears to conflict with the Office of Management and Budget's (OMB) Circular A-11, which requires federal agencies to provide the Congress with a realistic estimate for each program having an unobligated balance. Realistic estimates would give congressional decisionmakers more useful information for making budget decisions than arbitrary estimates of zero.

In another instance, we also found that the level of unobligated funds retained as a contingency against unanticipated expenses appears excessive. Specifically, the Risk

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<sup>3</sup>These programs were research and education activities under the Cooperative State Research, Education, and Extension Service; the Emergency Conservation Program under the Farm Service Agency; and the conservation operations and the Watershed and Flood Prevention Program under the Natural Resources Conservation Service.

Management Agency (RMA), for fiscal year 1999, had an unobligated balance of \$1.4 billion, a portion of which is retained as a reserve against unforeseen losses in its crop insurance programs. The \$1.4 billion is roughly equal to about 60 percent of RMA's fiscal year 1999 obligations. RMA recognizes that this may be an excessive reserve, and for fiscal year 2000, it proposed a reserve of \$800 million.

Finally, we identified that USDA could have about \$60 million in unobligated funds for construction projects administered by the Strategic Space Plan, the Agricultural Research Service, and the Animal and Plant Health Inspection Service. (See enc. II for detailed information on estimated year-end balances for selected USDA construction projects, fiscal year 1999.)

### **Large Funding Increases for Selected USDA Initiatives and Programs**

For fiscal year 2000, USDA is requesting about \$2.4 billion in additional funds for selected new initiatives and existing programs. (See enc. III for detailed information on large funding increases for selected USDA programs, fiscal year 2000.) Some or all of these funds could be available for congressional reduction or deferral of the budget authority sought by USDA in its fiscal year 2000 request. While USDA officials state that additional funding for these new initiatives and existing programs is justified and necessary, arguments can be made to the contrary. For example, for fiscal year 1999, the Congress did not agree with the rationale behind USDA's \$1 billion funding request for the Food Stamp Contingency Reserve and chose instead to fund the reserve at \$100 million. USDA has not used the reserve since fiscal year 1992—or to date in fiscal year 1999. We note that USDA, in its fiscal year 2000 budget, is once again requesting \$1 billion for the reserve (a \$900 million increase over fiscal year 1999).

For fiscal year 2000, USDA is also requesting \$18.4 billion in benefit funding for the Food Stamp Program (a \$500 million increase over its current fiscal year 1999 estimate of about \$17.9 billion). USDA's request is based on its economic forecasts that show some weakening of the U.S. economy and, thus, increased program participation. However, the Congressional Budget Office's (CBO) economic forecasts indicate that only \$17.8 billion will be needed for fiscal year 2000, \$600 million less than USDA's estimate. Moreover, USDA's requested increase goes against the multiyear trend of declining participation in the Food Stamp Program. Participation has steadily declined from about 27.5 million recipients in fiscal year 1994 to about 20 million recipients in fiscal year 1998—a 27-percent decline.<sup>4</sup>

### **Agency Comments**

We provided a draft of this report to USDA for its review and comment. We met with the Chief, Budget Control and Analysis Division, Office of Budget and Program Analysis, and with other officials of that organization. USDA generally agreed with the facts and

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<sup>4</sup>In 1998, USDA provided about \$17 billion in food stamp benefits to about 20 million recipients.

information presented in the report and provided several technical changes and clarifications. We have incorporated those changes as appropriate.

### **Scope and Methodology**

Our objectives were to identify potential rescissions to USDA's appropriation for fiscal year 1999 and potential reductions or deferrals to USDA's budget request for fiscal year 2000. To accomplish these objectives, we identified USDA programs that could have large year-end unobligated balances for fiscal year 1999 or large increases in funding for fiscal year 2000 by reviewing the President's Fiscal Year 2000 Budget and USDA's 2000 Budget Explanatory Notes for Committee Appropriations.<sup>5</sup> Regarding unobligated balances, we selected USDA programs that had either (1) fiscal year 1999 estimated unobligated balances of \$10 million or more or (2) showed estimated unobligated balances of zero for fiscal year 1999 and 2000 but had consistently had unobligated funds remaining in previous fiscal years. To develop a historical perspective on programs that consistently had actual year-end unobligated balances, we reviewed USDA's Explanatory Notes covering fiscal years 1995 through 1999. (See enc. I for a detailed description of these unobligated balances.) To identify construction projects that could have year-end unobligated balances for fiscal year 1999, we reviewed budget information for major construction projects administered by USDA's Strategic Space Plan, the Agricultural Research Service, and the Animal and Plant Health Inspection Service. (See enc. II for a detailed description of these unobligated balances.) Regarding large funding increases for fiscal year 2000, we selected programs or initiatives for which USDA is requesting funding increases of \$20 million or more. (See enc. III for a detailed description of these proposed funding increases.)

In the three enclosures to this report, for each program or account discussed, we provide various budgetary information. In enclosure I, we state the applicable agency or unit, the program's fiscal year 2000 appropriation request, and its estimated year-end unobligated balance for fiscal years 1999 and 2000. In enclosure II, we cite the applicable agency or unit; the construction project's total appropriation as of fiscal year 1999; its unobligated balance as of February 28, 1999; and its projected unobligated balance as of September 30, 1999. In enclosure III, we state the agency or unit and the program or account's net budget authority for fiscal years 1999 and 2000. In all three enclosures, we provide our observations wherever we have questions about USDA's rationale for having these unobligated balances or funding increases. In addition, for all efforts we examined, we reviewed pertinent USDA documents and interviewed USDA officials, in particular, officials from USDA's Office of Budget and Policy Analysis. Lastly, we also interviewed officials at CBO and the Congressional Research Service to obtain their perspectives on issues relating to these unobligated balances and large funding increases.

We conducted our review from March through June 1999 in accordance with generally accepted government auditing standards.

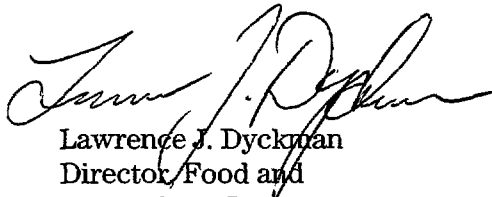
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<sup>5</sup>The President's Budget and USDA's Explanatory Notes are issued in early February each year.

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We are sending this report to you because of your role in overseeing the activities and funding of the USDA programs that are discussed. We are also sending copies of this report to Daniel Glickman, Secretary of Agriculture, and to Jacob Lew, Director, Office of Management and Budget. In addition, we will make copies available to others on request.

If you or your staff have any questions, please contact me at (202) 512-5138 or Ron E. Wood at (202) 512-2608. Key contributors to this report were Kurt W. Kershow and Patricia M. Crown.



Lawrence J. Dyckman  
Director, Food and  
Agriculture Issues

Enclosures - 3

**List of Congressional Committees**

The Honorable Richard G. Lugar  
Chairman  
The Honorable Tom Harkin  
Ranking Minority Member  
Committee on Agriculture, Nutrition,  
and Forestry  
United States Senate

The Honorable Ted Stevens  
Chairman  
The Honorable Robert C. Byrd  
Ranking Minority Member  
Committee on Appropriations  
United States Senate

The Honorable Thad Cochran  
Chairman  
The Honorable Herbert Kohl  
Ranking Minority Member  
Subcommittee on Agriculture,  
Rural Development, and  
Related Agencies  
Committee on Appropriations  
United States Senate

The Honorable Larry Combest  
Chairman  
The Honorable Charles W. Stenholm  
Ranking Minority Member  
Committee on Agriculture  
House of Representatives

The Honorable Bill Young  
Chairman  
The Honorable David R. Obey  
Ranking Minority Member  
Committee on Appropriations  
House of Representatives

The Honorable John Kasich  
Chairman  
The Honorable John Spratt  
Ranking Minority Member  
Budget Committee  
House of Representatives

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The Honorable Joe Skeen  
Chairman  
The Honorable Marcy Kaptur  
Ranking Minority Member  
Subcommittee on Agriculture,  
Rural Development, FDA, and  
Related Agencies  
Committee on Appropriations  
House of Representatives

The Honorable Bob W. Goodlatte  
Chairman  
The Honorable Eva Clayton  
Ranking Minority Member  
Subcommittee on Department Operations  
Oversight, Nutrition, and Forestry  
Committee on Agriculture  
House of Representatives

The Honorable William Goodling  
Chairman  
The Honorable William Clay  
Ranking Minority Member  
Committee on Education and  
the Workforce  
House of Representatives

**Estimated Year-End Unobligated Funds for Selected USDA Programs,  
Fiscal Years 1999-2000**

Dollars in millions

Program/account	FY2000 appropriation request	Year-end unobligated balance		GAO's question/agency's response
		FY1999	FY2000	
<b>Cooperative State Research, Education, and Extension Service (CSREES)</b>				
Research and Education Activities	\$469	\$0	\$0	<p><b>GAO's question:</b> Given that CSREES, historically, has ended the fiscal year with unobligated funds, how accurate is the agency's zero estimate for FY1999, and why does CSREES carry unobligated funds from year to year? See Explanatory Notes (EN), p. 10-27; President's Budget (PB), p. 75.</p> <p><b>Agency's response:</b> The zero estimate for year-end FY1999 is not accurate because some level of unobligated funds will be carried forward to FY2000. Most of the unobligated funds were provided for competitive research and education grants, and the agency retains these funds until they are expended. Because of the length of the competitive process, the agency cannot obligate all funds within the fiscal year they are received. Some unobligated funds must be carried forward, but what the amount of carryover will be is not known until year-end closing, so the agency's policy is to estimate that no unobligated funds will remain.</p> <p><b>GAO's observation:</b> Since FY1995, year-end unobligated funds carried forward to the next fiscal year have been \$0.4 million (FY1995), \$44 million (FY1996), \$18 million (FY1997), and \$44 million (FY1998). Under OMB Circular A-11, agencies are required to provide the Congress with their best estimate of year-end unobligated funds.</p>
<b>Risk Management Agency (RMA)</b>				
Federal Crop Insurance Corp. Fund	\$997	\$1,440	\$800	<p><b>GAO's question:</b> Why does RMA continuously carry a high level of unobligated funds, and how does RMA determine the level of unobligated funds to maintain? EN, p. 21-4; PB, p. 93.</p> <p><b>Agency's response:</b> RMA recognizes that the amount of unobligated funds has grown excessive and plans to decrease the level in FY2000 by \$640 million. RMA usually uses a portion of the unobligated funds in the next year for indemnities, delivery expenses, and research and development costs; a portion is also retained as a reserve against unforeseen losses. The level of unobligated funds that RMA maintains is based on estimated premium losses, delivery expenses, and other costs for the fiscal year.</p> <p><b>GAO's observation:</b> RMA overestimated its FY1999 needs based on projections for disaster assistance funds. Payment</p>



Program/account	FY2000 appropriation request	Year-end unobligated balance		GAO's question/agency's response
		FY1999	FY2000	
				of disaster assistance monies was to be predicated on a requirement that producers obtain crop insurance for FYs 1999 and 2000; however, these funds will be received too late in FY1999 for producers to obtain insurance for crop year 1999. RMA estimates it will carry forward \$1.4 billion in unobligated funds to FY2000. Although RMA plans to reduce the level of unobligated funds to \$800 million by the end of FY2000, this level would still roughly equal about 30% of 1 year's obligations. This may still be excessive.
<b>Farm Service Agency (FSA)</b>				
Emergency Conservation <i>This program is funded by emergency supplemental appropriations.</i>	\$0	\$0	\$0	<p><b>GAO's question:</b> Given that the program, historically, ends each fiscal year with unobligated funds, how accurate is the agency's zero estimate for FY1999, and why does FSA carry unobligated funds from year to year? How does FSA determine the level of unobligated funds to maintain? EN, p. 18-37; PB, p. 99.</p> <p><b>Agency's response:</b> The zero estimate for year-end FY1999 is not accurate because some level of unobligated funds will be carried forward to FY2000. This is an emergency program, and funds are received late in the fiscal year from a supplemental appropriation, so all monies cannot be obligated before year-end. Although unobligated funds are routinely carried forward (these are no-year monies), estimating the amount is difficult because FSA never knows how much it will receive in its supplemental appropriation. The agency's policy is to estimate that no unobligated funds will remain available for carryover to the next fiscal year.</p> <p><b>GAO's observation:</b> Since FY1994, year-end unobligated funds carried forward to the next fiscal year have been \$55 million (FY1994), \$17 million (FY1995), \$22 million (FY1996), \$79 million (FY1997), and \$84 million (FY1998). These amounts are high enough that FSA could devise a method to conservatively estimate the amount of unobligated funds it expects to carry into the next fiscal year. Moreover, if substantial historical information about supplemental appropriations for emergencies exists, USDA could estimate a portion of its emergency conservation needs in its regular appropriation request and, thus, have a portion of these needs subject to budgetary scoring. Under OMB Circular A-11, agencies are required to provide the Congress with their best estimate of year-end unobligated funds.</p>

Program/account	FY2000 appropriation request	Year-end unobligated balance		GAO's question/agency's response
		FY1999	FY2000	
<b>Natural Resources Conservation Service (NRCS)</b>				
Conservation Operations	\$681	\$0	\$0	<p><b>GAO's question:</b> Given that the program, historically, ends each fiscal year with unobligated funds, how accurate is the agency's zero estimate for FY1999, and why does NRCS carry unobligated funds from year to year? How does NRCS determine the level of unobligated funds to maintain? EN, p. 17-18; PB, p. 114.</p> <p><b>Agency's response:</b> The zero estimate for year-end FY1999 is not accurate because some level of unobligated funds will be carried forward to FY2000. NRCS' policy is to always estimate that no funds will be carried forward to the next fiscal year. For FY99, NRCS is currently maintaining a relatively small amount of unobligated funds (\$14 million) as a contingency against emergencies to avoid overobligating.</p> <p><b>GAO's observation:</b> Since FY1995, year-end unobligated balances have been \$7 million (FY1995), \$35 million (FY1996), \$31 million (FY1997), and \$14 million (FY1998). These balances are roughly equal to about 1 to 5% of annual obligations. Under OMB Circular A-11, agencies are required to provide the Congress with their best estimate of year-end unobligated funds.</p>
Watershed and Flood Prevention <i>This program is partially funded by emergency supplemental appropriations.</i>	\$83	\$0	\$0	<p><b>GAO's question:</b> Given that the program, historically, ends each fiscal year with unobligated funds, how accurate is the agency's zero estimate for FY1999, and why does NRCS carry unobligated funds from year to year? How does NRCS determine the level of unobligated funds to maintain? EN, p. 17-14; PB, p. 116.</p> <p><b>Agency's response:</b> The zero estimate for year-end FY1999 is not accurate because some level of unobligated funds will be carried forward to FY2000. These funds support two components--the first operates on roughly \$80 million to \$100 million in routine appropriations from the Congress; the second operates with \$100 million or more in supplemental emergency funds provided late in the fiscal year. Although unobligated funds are routinely carried forward (these are no-year monies), estimating the amount that will be carried forward is difficult because NRCS never knows how much it will receive in its supplemental appropriation. The agency's policy is to estimate that no unobligated funds will remain available for carryover to the next fiscal year.</p> <p><b>GAO's observation:</b> Since FY1995, year-end unobligated balances have been \$140 million (FY1995), \$53 million (FY1996), \$172 million (FY1997), and \$135 million (FY1998). In FY1998, unobligated funds carried forward from FY1997 were roughly equal to about 75% of annual obligations. In FY1999, unobligated funds carried forward from FY1998 are</p>

Program/account	FY2000 appropriation request	Year-end unobligated balance		GAO's question/agency's response
		FY1999	FY2000	
				roughly equal to about 58% of planned obligations. Under OMB Circular A-11, agencies are required to provide the Congress with their best estimate of year-end unobligated funds. NRCS' amounts are high enough that the agency could devise a method to conservatively estimate the unobligated funds it expects to carry into the next fiscal year. Moreover, if substantial historical information about supplemental appropriations for emergencies exists, USDA could estimate a portion of its emergency flood prevention needs in its regular appropriation request and, thus, have a portion of these needs subject to budgetary scoring.
<b>Foreign Agricultural Service (FAS)</b>				
FAS and General Sales Manager (GSM) Funds	\$138	\$19	\$19	<p><b>GAO's question:</b> Why does FAS carry an unobligated balance of \$19 million for GSM activities (e.g., salaries, expenses, and projects)? PB, p. 157.</p> <p><b>Agency's response:</b> The Agency for International Development (AID) forwards monies to FAS to fund projects FAS has undertaken on behalf of AID. These funds remain on FAS' books until the project is complete. As funds flow in and out of FAS' account, FAS maintains \$19 million in the account as a contingency to meet obligations should something unforeseen occur.</p> <p><b>GAO's observation:</b> According to the EN to USDA's FY2000 budget, FAS will receive about \$37 million for AID projects in FY1999 and FY2000. FAS' contingency of \$19 million is roughly equal to half a year's program funds. This appears excessive.</p>
Foreign Assistance Programs, P.L. 480:  Title I Title II & III Grants P.L. 480 Program P.L. 480 subtotal	  \$12 \$787 \$116 \$915	  \$21 \$51 \$78 \$150	  \$21 \$17 \$78 \$116	<p><b>GAO's question:</b> Why will FAS carry forward a total unobligated balance of \$150 million to FY2000? PB, pp. 159-60.</p> <p><b>Agency's response:</b> FAS, using a proscribed formula, determines an allotment of commodity purchases for each participating country. FAS sets funds aside to support the entire allotment, but depending on world agricultural conditions, some countries will not use their full allotments. This leaves funds unobligated that must be carried over to the next fiscal year.</p> <p><b>GAO's observation:</b> Since FY1995, aggregate balances for unobligated funds carried forward to the next fiscal year have been \$54 million (FY1995), \$62 million (FY1996), \$106 million (FY1997), and \$121 million (FY1998). Recent year-end balances are roughly equal to about 11% of annual obligations.</p>

Program/account	FY2000 appropriation request	Year-end unobligated balance		GAO's question/agency's response
		FY1999	FY2000	
<b>Food and Nutrition Service (FNS)</b>				
Food Stamp Program	\$22,477	\$0	\$0	<p><b>GAO's question:</b> Given that the program, historically, ends each fiscal year with unobligated funds, how accurate is the agency's zero estimate for FY1999, and why does FNS carry unobligated funds from year to year? How does FNS determine the level of unobligated funds to maintain? EN, p. 27-43; PB, p. 166.</p> <p><b>Agency's response:</b> FNS receives 1-year funds for mandatory Food Stamp Program payments. Unobligated funds for food stamps are returned to the Treasury and are not available for the next fiscal year. Recently, FNS' funds for Employment and Training activities for food stamp recipients have been designated no-year funds. The \$87 million in unobligated funds carried forward to FY1999 is from the Employment and Training Program and will be obligated in FY1999; the zero estimate is accurate.</p> <p><b>GAO's observation:</b> Insufficient time has passed since the transition from 1-year to no-year appropriations for the Employment and Training Program to establish a history for unobligated funds carried forward to the next fiscal year. However, the \$87 million FNS carried forward to FY1999 equals about 35% of FY1998 obligations for the Employment and Training Program.</p>
Child Nutrition	\$4,636	\$90	\$0	<p><b>GAO's question:</b> Why does FNS anticipate that unobligated funds for this program will increase \$80 million in FY1999, and will FNS obligate all \$90 million in FY2000? EN, p. 27-52; PB, p. 167.</p> <p><b>Agency's response:</b> These funds are 2-year monies, and FNS, historically, has carried an unobligated balance of several hundred million forward each year. However, the balance carried forward to FY1999 was only \$10 million and, although the balance is expected to grow to \$90 million in FY1999, FNS expects to obligate all remaining funds by year-end FY2000.</p> <p><b>GAO's observation:</b> Since FY1995, ending balances for unobligated funds carried forward to the next fiscal year have been \$141 million (FY1995), \$384 million (FY1996), \$605 million (FY1997), and \$10 million (FY1998). These year-end balances are roughly equal to about 1 to 7% of annual obligations.</p>
<b>Total</b>	<b>\$30,396</b>	<b>\$1,699</b>	<b>\$935</b>	

**Estimated Year-End Unobligated Funds for Selected USDA Construction Projects,  
Fiscal Year 1999**

Dollars in thousands

Construction project	Total appropriation as of FY1999	Unobligated balance as of 2/28/99	Unobligated balance projected for 9/30/99	Status
<b>Animal and Plant Health Inspection Service (APHIS)</b>				
National Plant Germplasm Quarantine Center <i>Beltsville, Maryland</i>	\$25,000	\$2,834	\$74	The project received \$1 million for the design of Phase III in FY1993. Phase III was subsequently dropped, but aspects of Phase III were included in Phases I and II. APHIS is using the funds for construction contingencies. Total project costs were \$22.1 million; approximately \$2 million was reprogrammed to the Medfly Eradication Program in March 1995. About \$739,511 will remain unobligated for construction contingencies at the end of FY1999.
Methods Development Rearing Facility <i>Phoenix, Arizona</i>	\$672	\$569	\$69	The project, which was relocated from Texas, last received an appropriation in FY1994. Design is complete, and APHIS is negotiating a construction contract. Contract award is anticipated for June 1999. About \$69,000 will remain unobligated at the end of FY1999 for construction contingencies.
National Wildlife Research Center <i>Fort Collins, Colorado</i>	\$15,500	\$3,500	\$3,500	The project received \$3.5 million in FY1999 for additional work on the support wing of the Animal Research Building. APHIS reports that a \$2.5 million unobligated balance shown in the Explanatory Notes to the FY2000 budget is a mistake. The completion of the support wing is on hold awaiting a decision by APHIS' Wildlife Service on possible research facility requirement changes. Moreover, Colorado has revised its building codes since design work was completed; Colorado State University must determine how this will impact the original design. Because the schedule for this determination is uncertain and the original design work may change, all of the \$3.5 million in unobligated funds may remain unobligated at the end of FY1999.
Bison Quarantine Facility <i>Yellowstone National Park, Montana</i>	\$1,000	\$1,000	\$1,000	Design and construction are on hold pending selection of a construction site by an APHIS-led task force that includes the National Park Service, Montana State University, and local Indian tribes and completion and approval of an Environmental Impact Statement. All or most of the \$1 million on hand will likely remain unobligated at the end of FY1999.
<b>APHIS subtotal</b>	<b>\$42,172</b>	<b>\$7,903</b>	<b>\$4,643</b>	

Construction project	Total appropriation as of FY1999	Unobligated balance as of 2/28/99	Unobligated balance projected for 9/30/99	Status
<b>Agricultural Research Service (ARS)</b>				
Water Conservation Laboratory <i>Maricopa, Arizona</i>	\$896	\$896	\$896	This project is being reduced in scope and is on hold pending direction from the Congress. Funds appropriated in FY1995 and FY1999 will be used for planning; \$896,000 will remain unobligated at the end of FY1999.
Hurricanes Andrew and Iniki Repair <i>Florida, Hawaii, and Louisiana</i>	\$15,000	\$11,175	\$10,677	The Congress appropriated funds for emergency repairs in FY1992. ARS plans to use some of the appropriated funds for renovation and new construction. In the past, we have questioned redirecting funds appropriated for repairs to new construction (see our report, GAO/RCED-94-132R); however, USDA's Office of General Counsel has decided this is a permissible use of these funds. Most or all of the unobligated funds will be obligated in FY2000 for construction.
Poultry Disease Laboratory <i>Athens, Georgia</i>	\$1,077	\$1,005	\$1,005	This project is on hold pending resolution of bio-containment planning throughout ARS and the report from the Strategic Task Force on Federally Funded Agricultural Research Facilities. This will leave about \$1 million in unobligated funds at the end of FY1999.
Soil Erosion Center <i>West Lafayette, Indiana</i>	\$4,320	\$25	\$0	ARS is proposing to redirect the balance of \$25,000 in unobligated funds to a legal claim regarding the modernization of Building 001 at the Beltsville Area Research Complex.
Regional Poultry Research Center <i>East Lansing, Michigan</i>	\$2,262	\$655	\$100	This is a modernization effort of an existing facility. Most of the funds will be used for redesigning the Research Center. ARS expects to award a design contract and obligate most of the remaining funds by March 2000. About \$100,000 will remain unobligated at the end of FY1999.
Soil and Water Laboratory <i>Morris, Minnesota</i>	\$1,125	\$3	\$3	The Congress appropriated \$825,000 in FY1995 for Phase II construction. About \$3,000 will remain unobligated at the end of FY1999.
U.S. Vegetable Laboratory <i>Charleston, South Carolina</i>	\$18,462	\$762	\$154	ARS has awarded the Phase I construction contract. Unobligated funds of about \$154,000 will remain available for construction contingencies.
U.S. Pacific Basin Research Center <i>Hilo, Hawaii</i>	\$4,500	\$4,500	\$0	According to ARS, the predesign and design of the Main Laboratory and Rearing Facility is on schedule, and the design contract will be awarded in the fourth quarter of FY1999.
National Animal Disease Center <i>Ames, Iowa</i>	\$4,900	\$4,900	\$3,401	These figures include \$1.9 million reprogrammed from the National Swine Center. About \$1.5 million will be used for design in the fourth quarter of FY1999. About \$3.4 million will remain unobligated at the end of FY1999 for future construction and related contingencies.

Construction project	Total appropriation as of FY1999	Unobligated balance as of 2/28/99	Unobligated balance projected for 9/30/99	Status
U.S. Grain Marketing Research Laboratory <i>Manhattan, Kansas</i>	\$3,850	\$2,913	\$700	A contract for the construction of Phases I and II will be awarded in the fourth quarter of FY1999. About \$700,000 will remain unobligated at the end of FY1999 for contract contingencies.
National Agricultural Library <i>Beltsville, Maryland</i>	\$3,700	\$221	\$100	About \$100,000 will remain unobligated at the end of FY1999.
Insect Rearing Facility <i>Stoneville, Mississippi</i>	\$1,100	\$1,100	\$75	This is a replacement facility. A design contract has been awarded; design will be completed by the second quarter of FY2000. About \$75,000 will remain unobligated at the end of FY1999.
Pest Quarantine and Integrated Pest Management Facility <i>Sidney, Montana</i>	\$7,906	\$7,795	\$7,384	Planning and design are under way and should be completed in the fourth quarter of FY1999. About \$7.4 million will remain unobligated at the end of FY1999 for future construction.
Jornada Range Research Station <i>Las Cruces, New Mexico</i>	\$7,400	\$7,302	\$6,700	ARS expects the design to be completed by the fourth quarter of FY1999. About \$6.7 million will remain unobligated at the end of FY1999 for future construction.
National Center for Cool and Cold Water Aquaculture <i>Leetown, West Virginia</i>	\$15,921	\$13,801	\$0	Design is under way; the construction contract is scheduled to be awarded in the third quarter of FY1999.  <b>GAO's observation:</b> Although ARS officials said they anticipate obligating all available funds, they probably will retain about 5% of unobligated funds for construction contingencies.
Western Human Nutrition Research Center <i>Davis, California</i>	\$11,350	\$11,350	\$9,750	Forced to vacate the Presidio, ARS is planning a new facility at the University of California - Davis, where staff is currently scattered among several buildings. About \$9.7 million will remain unobligated at the end of FY1999 and will remain unobligated until ARS has sufficient funds to award a construction contract. ARS is requesting an additional \$9 million in FY2000 for construction.
National Center for Agricultural Utilization Research <i>Peoria, Illinois</i>	\$24,970	\$9,733	\$1,200	ARS received \$8.2 million in FY1999 for design (\$1.2 million) and construction (\$7 million) of section 3 of the chemical plant. About \$1.2 million will remain unobligated at the end of FY1999. ARS is requesting \$1.8 million for FY2000 for design work to modernize the chemical wing (which is separate from the chemical plant).  <b>GAO's observation:</b> While ARS officials said they believe they can award a construction contract (\$7 million) before the end of FY1999, they agreed that the award would occur very near year-end and that any delay before then would probably force the award into the next fiscal year, thus leaving additional funds unobligated at year-end.

Construction project	Total appropriation as of FY1999	Unobligated balance as of 2/28/99	Unobligated balance projected for 9/30/99	Status
Southern Regional Research Center <i>New Orleans, Louisiana</i>	\$17,202	\$6,230	\$300	ARS is requesting \$5.5 million in FY2000 for Phases II and III. ARS received \$6 million in FY1999, of which about \$300,000 will remain unobligated at the end of FY1999.
Agricultural Research Center <i>Beltsville, Maryland</i>	\$109,117	\$7,594	\$4,358	ARS is requesting \$13 million in FY2000 for construction of Phase I of the Beltsville Human Nutrition Research Center. About \$4.4 million will remain unobligated at the end of FY1999.
Plum Island Animal Disease Center <i>Greenport, New York</i>	\$20,683	\$7,322	\$4,989	ARS is requesting \$8.2 million for FY2000 for construction of a replacement boiler plant, sewage decontamination plant, and other miscellaneous projects. Construction of the Waste Water Treatment Plant is on hold pending resolution of a remediation request with EPA/DEC. About \$4.9 million will remain unobligated at the end of FY1999 for construction. This includes about \$1.8 million for the Waste Water Treatment Plant.  <b>GAO's observation:</b> This is a joint APHIS and ARS project. APHIS is requesting \$3.2 million in FY2000, which would be allocated to ARS. For the total project, APHIS is funding 40% of the construction work at the facility; ARS, 60%.
Eastern Regional Research Center <i>Philadelphia, Pennsylvania</i>	\$12,300	\$5,007	\$3,300	ARS is requesting \$4.4 million for FY2000 for construction of Phase 6 of the Chemical Wing Laboratory. About \$3.3 million will remain unobligated at the end of FY1999 for future construction.
Western Regional Research Center <i>Albany, California</i>	\$6,080	\$632	\$0	ARS is requesting \$2.6 million for FY2000 for the design work to modernize the Research and Development Facility.
Human Nutrition Research Center <i>Grand Forks, North Dakota</i>	\$4,400	\$811	\$598	ARS will award \$500,000 for construction of a storage shed.
<b>ARS subtotal</b>	<b>\$298,521</b>	<b>\$105,732</b>	<b>\$55,690</b>	
<b>Departmental Administration/Strategic Space Plan (SSP)</b>				
Beltsville Office Facility (BOC) <i>Prince George's County, Maryland</i>  and  Agriculture South Building <i>Washington, D.C.</i>	\$87,714	\$5,200	\$0	USDA anticipates obligating about \$2 million to \$2.5 million in FY1999 for road improvements for the BOC. However, the City of Greenbelt, Maryland, has filed suit to block this construction work, making award of a construction contract before year-end less certain.  Other obligations will cover costs associated with Phase I of the modernization effort for the South Building (Wing 3), namely, moving staff, tenant fit-out, and construction contingencies.
<b>SSP subtotal</b>	<b>\$87,714</b>	<b>\$5,200</b>	<b>\$0</b>	
<b>Total</b>	<b>\$428,407</b>	<b>\$118,835</b>	<b>\$60,333</b>	



**Estimated Large Funding Increases for Selected New USDA Initiatives and Existing Programs,  
Fiscal Year 2000**

Dollars in millions

Program/account	FY net budget authority		GAO's question/agency's response
	FY1999	FY2000	
<b>Office of the Secretary</b>			
Fund for Rural America	\$0	\$60	<p><b>GAO's question:</b> (1) Does prior-year legislation provide USDA a \$60 million appropriation in FY2000? If so, please provide a copy of the relevant portion of legislation. (2) If the Congress blocked the funding for this initiative in FY1999, why should it fund the initiative in FY2000? (3) Is the \$60 million annual appropriation adequate; if so, why is USDA proposing an additional \$15 million annually across 4 years beginning in FY2001? See Explanatory Notes (EN), p. 1-14; President's Budget (PB), p. 60.</p> <p><b>Agency's response:</b> Authorizing legislation provides USDA \$60 million annually from FY1999 to FY2003. These monies are to remain available for 2 years. While the Congress may again block the funds for FY2000 as it blocked them for FY1999, USDA is requesting appropriation of the authorized funding for FY2000. Moreover, because the Congress did not appropriate funds in FY1999, USDA is proposing legislation to authorize, in addition to the funding currently authorized, \$15 million for each fiscal year from 2001 through 2004, thus restoring the \$60 million authorized but not appropriated for FY1999.</p> <p><b>GAO's observation:</b> The Congressional Budget Office (CBO) disagrees with USDA's assumption that it can ask the Congress to appropriate the \$60 million blocked by the Congress in FY1999 for this program without requesting new legislation that would count the appropriation as new budget authority for budgetary scoring purposes. (USDA sees this funding as being "carried over" from one year to another, not as new money.) CBO believes this money is no longer available to USDA unless new legislation is passed and the funds are scored as new spending.</p>
<b>Agricultural Marketing Service (AMS)</b>			
Funds for Strengthening Markets, Income, and Supply	\$588	\$669	<p><b>GAO's question:</b> Planned obligations and outlays appear to be declining. If so, what is the increase for? See EN, p. 15-32; PB, p. 90.</p> <p><b>Agency's response:</b> The fund involves purchasing commodities and distributing disaster assistance funds. The \$81 million increase is needed to rebuild the fund's contingency reserve account to \$300 million. Public law permits AMS to carry reserves of \$300 million as a contingency against unanticipated needs.</p>

Program/account	FY net budget authority		GAO's question/agency's response
	FY1999	FY2000	
<b>Agricultural Research Service (ARS)</b>			
Various Research Initiatives	\$154	\$196	<p><b>GAO's question:</b> Given that USDA is beginning the third phase of the Human Nutrition Research Initiative, what justifies an increase of \$20 million (29%)? Similarly, what justifies a \$22 million increase (25%) for research on soil, water, and air? Could USDA's proposed \$25 million decrease for research in plant sciences be redirected to one of these areas? EN, pp. 9-14, 16, 38; PB, p. 72.</p> <p><b>Agency's response:</b> The \$20 million increase is part of a 5-year funding effort that started in FY1998 and is needed to make up for the shortfall in funding for FY1999. In FY1999, the Congress chose to fund only \$2.25 million out of the \$10.5 million requested for this program. The \$22 million for Soil, Water, and Air Research includes increases for high-priority research areas, such as air quality, global change, and sustainable ecosystems, that USDA believes are important. In addition to the \$25 million decrease in funding for the Plant Science research efforts, ARS is proposing an additional reduction in ongoing ARS projects totaling \$35 million. These combined reductions are essentially financing a portion of the proposed increases in ARS research.</p>
<b>Cooperative State Research, Education, and Extension Service (CSREES)</b>			
Integrated Activities (new initiative)	\$30	\$73	<p><b>GAO's question:</b> Given that in FY1999 the Congress did not fund four of the eight initiatives proposed by CSREES, why should the Congress appropriate \$33 million in FY2000 for these same initiatives? EN, p. 10-81; PB, p. 74.</p> <p><b>Agency's response:</b> Integrated Activities is a new program account. Four of the eight initiatives that make up the account are new, and USDA did not request funding for them in FY1999. In FY1999, USDA did request funding for the other four initiatives under other program accounts. Of these four, only one was not funded, while three were funded at their FY1998 levels. Although the President's Budget shows an increase of \$73 million for the account, the increase is really \$43 million because those initiatives funded under other program accounts in FY1999 received about \$30 million.</p>
Research and Education Activities--National Research Initiative (NRI)	\$119	\$200	<p><b>GAO's question:</b> Can CSREES award \$200 million in competitive grants in FY2000? What caused the estimate for required funding for FY1999 to decline from \$163 million (PB, p. 75) to \$119 million (EN); was the award of available grant monies prevented or delayed in FY1999?</p> <p><b>Agency's response:</b> CSREES will not be able to award all of the \$200 million in grants in FY2000. Funding for NRI is available until expended, and some portion of the \$200 million will be carried over for obligation in FY2001. The award of monies available for FY1999 was not prevented or delayed; the FY1999 estimate of obligations for NRI is \$163 million, as reported on p. 75 of the President's Budget. This amount includes \$119.3 million in new budget authority and \$43.4 million in carryover from FY1998.</p>

Program/account	FY net budget authority		GAO's question/agency's response
	FY1999	FY2000	
Initiative for Future Agriculture and Food Systems	\$0	\$120	<p><b>GAO's question:</b> (1) Does prior-year legislation provide USDA a \$120 million appropriation in FY2000? If so, please provide a copy of the relevant portion of the legislation. (2) If the Congress blocked the funding for this initiative in FY1999, why should it fund the initiative in FY2000? (3) Is the \$120 million appropriation for FY2000 adequate; if so, why is USDA proposing an additional \$30 million annually across 4 years beginning in 2001? See EN, p. 10-90; PB, p. 75.</p> <p><b>Agency's response:</b> Authorizing legislation provides USDA \$120 million annually from FY1999 to FY2003. These monies are to remain available for 2 years. While the Congress may not appropriate the authorized funds as it did for FY1999, USDA is requesting appropriation of the authorized funding for FY2000. Moreover, because the Congress did not appropriate funds in FY1999, USDA is proposing legislation to authorize, in addition to the funding currently authorized, \$30 million for each of fiscal year from 2001 through 2004, thus restoring the \$120 million authorized but not appropriated for FY1999.</p> <p><b>GAO's observation:</b> This case is similar to the Fund for Rural America. Specifically, CBO disagrees with USDA's assumption that it can request restoration of the blocked FY1999 monies for this program without requesting new legislation that would count this funding as new budget authority for budgetary scoring purposes. (USDA sees this funding as being "carried over" from one year to another, not as new money.) CBO believes this money is no longer available to USDA unless new legislation is passed and the funds are scored as new spending.</p>
<b>Support Services Bureau</b>			
(New initiative)	\$0	\$74	<p><b>GAO's question:</b> Will USDA be ready to use the requested \$74 million in FY2000? How much of the \$74 million is one-time startup costs? How much of the increase is offset by decreases in the Farm Services Agency's (FSA), the Natural Resources Conservation Service's (NRCS), and Rural Development's budgets? See EN, p. 28-6; PB, p. 95.</p> <p><b>Agency's response:</b> USDA will use all \$74 million in FY2000. These funds, along with \$16.2 million in funds from the Commodity Credit Corporation (CCC), will support ongoing Service Center Modernization initiatives. The funds are not one-time startup monies for the Support Services Bureau, but rather related modernization efforts, such as the colocation of field offices. NRCS' budget includes a decrease of about \$31 million in budget authority shifted to the Support Services Bureau. Ideally, the FSA and Rural Development budgets should include similar offsets for those functions transferred to the Support Services Bureau but do not because their budgets are too tight.</p> <p><b>GAO's observation:</b> FSA and Rural Development lacked offsets for the Support Services Bureau. NRCS' decrease of \$31 million will be replaced by funds requested for other NRCS initiatives. Moreover, FSA currently has authority to use \$16.2 million of CCC borrowing authority in FY2000 for its modernization initiatives and is requesting an additional \$35 million in CCC borrowing authority for its computer support functions.</p>

Program/account	FY net budget authority		GAO's question/agency's response
	FY1999	FY2000	
<b>Animal and Plant Health Inspection Service (APHIS)</b>			
Salaries and Expenses	\$484	\$554	<p><b>GAO's question:</b> What is the special fund that is the source of the \$70 million increase in salaries and expenses shown in the President's Budget for APHIS? See PB, p. 79. Where in the ENs is the increase in budget authority from this source identified?</p> <p><b>Agency's response:</b> APHIS is requesting an increase of about \$10 million in appropriations for salaries and expenses. The President's Budget shows another \$60 million in revenues from APHIS' Agricultural Quarantine Inspection (AQI) account, which contains AQI user fees collected in excess of \$100 million. For FY2000, APHIS proposes raising AQI user fees to cover the program's anticipated costs and to rebuild the AQI reserve balance (see EN, pp. 14-15 and 14-17). Item #10 of the Project Statement on EN, p. 14-17, estimates increased AQI user fee revenues of only \$4.8 million for FY2000 because it does not include revenues from the proposed increase in user fees, while the President's Budget estimates additional AQI revenues of \$60 million from increased user fees that have yet to be approved by USDA.</p> <p><b>GAO's observation:</b> Given that appropriations would not change, net budget authority would decline by about \$1 million if additional revenues from higher user fees are not available.</p>
<b>Food Safety and Inspection Service (FSIS)</b>			
Salaries and Expenses	\$618	\$653	<p><b>GAO's question:</b> What portion of the \$36 million increase will be used for retraining existing personnel in how to perform marketplace reviews, and does the increase reflect a one-time investment in retraining? Can FSIS accomplish retraining and increase the number of marketplace reviews by 80,000 (400%) as indicated in the President's Budget? See EN, p. 13-3; PB, p. 82.</p> <p><b>Agency's response:</b> Of the \$36 million increase, \$10.8 million will be used to convert and redeploy 388 existing FSIS employees as Consumer Safety Officers and to hire 250 new Consumer Safety Officers. The requested increase will cover salary upgrades and relocation costs and allow FSIS to hire and redeploy, as necessary, more highly skilled, better educated, more versatile inspection personnel. Since the increase covers salary costs, it is not a one-time expense. Moreover, FSIS will try to conduct the additional 80,000 marketplace reviews for FY2000.</p> <p><b>GAO's observation:</b> Given that FSIS will have to hire, retrain, and move employees to achieve the 400% increase in marketplace reviews, increasing marketplace reviews from 20,000 to 100,000 in 1 year seems overly ambitious. Possibly some of the funding associated with increasing these reviews could be deferred to FY2001.</p>

Program/account	FY net budget authority		GAO's question/agency's response
	FY1999	FY2000	
<b>Commodity Credit Corporation (CCC)</b>			
CCC-Funded ADP Expenses	\$0	\$35	<p><b>GAO's question:</b> Since FSA has experienced cost overruns and exhausted a multiyear automated data processing (ADP) appropriation meant to carry the agency through FY2002, why should the Congress provide additional appropriations of \$35 million annually for ADP? See PB, p. 108.</p> <p><b>Agency's response:</b> For FY2000, USDA proposes to increase the current cap on CCC expenditures for information technology for fiscal years 1997 to 2002 by a total of \$105 million. The proposal would increase the cap from \$188 million to \$293 million and assumes that \$35 million would be available for each year from FY2000 through 2002. Under the current cap, only about \$16.2 million will be available for current operations and information technology expenditures at the end of 1999, and that level is not adequate. Given the historic operation and maintenance needs of USDA programs, it is doubtful that the \$35 million will be available for Service Center Modernization initiatives or FSA's share of the Common Computing Environment.</p> <p><b>GAO's observation:</b> The EN indicates that the \$16.2 million remaining under the current cap will be used to support the Service Center Modernization Initiative (for which USDA has requested \$74 million in new funding--see the Support Service Bureau's new initiative discussed elsewhere on this table) rather than for current information processing needs. We question why, if funds are not available for current operations, USDA is targeting funds to support its modernization effort. Moreover, the Congress restricted the use of CCC borrowing authority for information technology because of \$16.2 million remaining under the current cap will be used to support the Service Center Modernization Initiative (for which USDA has requested \$74 million in new funding--see the program/account, "Support Services Bureau," on this table) rather than for current information processing needs</p>
<b>Natural Resources Conservation Service (NRCS)</b>			
Conservation Operations	\$641	\$681	<p><b>GAO's question:</b> NRCS is requesting a net increase of about \$40 million; however, given that a \$31 million decrease at NRCS for information technology will be funded elsewhere within USDA's budget (by an appropriation for the new Support Services Bureau), isn't NRCS proposing a gross increase of \$68 million (11%) for Technical Assistance? Why is the increase needed when workload factors are declining? Regarding the \$20 million for competitive grants to be awarded locally, does NRCS have a strategy for ensuring competition and preventing abuse? EN, pp. 17-19 through 17-24; PB, p. 114.</p> <p><b>Agency's response:</b> Yes, the \$68 million increase includes \$17 million in anticipated pay increases, \$20 million for partnership grants, \$3 million for additional environmental monitoring and research, \$8 million (97 staff years) for technical assistance to animal feeding operations, \$15 million for global climate change research, and \$5 million (\$1.5 million for 20 staff years) to support state and local geographic information systems. The total conservation workload for NRCS and the conservation partnership is</p>

Program/account	FY net budget authority		GAO's question/agency's response
	FY1999	FY2000	
			<p>not declining. However, NRCS' percentage of the workload is declining, while state and local participation in NRCS' overall workload is increasing. The \$20 million for competitive grants will be awarded through memorandums of agreement. NRCS has not developed a new strategy for how these agreements would be handled but will continue to apply the rules and regulations currently used for these agreements to ensure competition and prevent abuse.</p> <p><b>GAO's observation:</b> The Conservation Operations account is the major salaries and expenses account for NRCS. For fiscal year 2000, NRCS is proposing a gross increase of about \$68 million for Technical Assistance within this account. Of that amount, only \$9.5 million is for additional NRCS staff. The rest is for NRCS staff pay increases or for supporting local and state geographic information systems or animal feeding operations.</p>
Wetlands Reserve Program	\$128	\$207	<p><b>GAO's question:</b> The budget proposes a \$79 million (62%) increase (using CCC budget authority) to support proposed wetland acreage enrollments. Is this increase needed to support only the FY1999 enrollments (120,000 acres) for year 2000, or does it support both FY1999 and FY2000 enrollments? Will NRCS accomplish the planned enrollment of 120,000 acres in FY1999? If not, could funds for their support in FY2000 be deferred to the next fiscal year? EN, p. 17-60; PB, p. 120.</p> <p><b>Agency's response:</b> This increase applies directly to the FY2000 enrollment and does not apply to the FY1999 effort. The full enrollment of 120,000 acres will be accomplished in FY1999.</p> <p><b>GAO's observation:</b> Given the length of the enrollment process, NRCS may not be able to obligate, and thus may not need, all of the \$79 million for FY2000.</p>
<b>Rural Housing Service (RHS)</b>			
Rental Assistance	\$583	\$640	<p><b>GAO's question:</b> Why is RHS seeking multiyear funding? Could RHS meet its needs with annual appropriations? (Note: RHS is requesting a \$57 million increase in funding for FY2000.) EN, p. 24-31; PB, p. 127.</p> <p><b>Agency's response:</b> The budget asks for \$640 million to finance the 5-year RHS agreements for rental assistance payments. RHS does not need all the money in the first year; funds are needed over a 5-year period (RHS estimates that each of the 5 years would require \$121 million for rental assistance payments). However, RHS states approval of the 5-year funding is needed to demonstrate a 5-year commitment of funds to prospective landlords.</p>

Program/account	FY net budget authority		GAO's question/agency's response
	FY1999	FY2000	
<b>Food and Nutrition Service (FNS)</b>			
Food Stamp Program (contingency fund)	\$100	\$1,000	<p><b>GAO's question:</b> Given that the Congress reduced contingency funds to \$100 million in FY1999 and the economic forecasts are for continued growth, could FNS operate with \$100 million as a contingency fund in FY2000? EN, p. 27-41; PB, p. 116.</p> <p><b>Agency's response:</b> The FY2000 food stamp budget assumes benefits of \$18.4 billion and requests \$1 billion in contingency funds, but it estimates that none would be used. While the economy shows no signs of deterioration, the contingency fund is, by its very nature, an insurance fund that would be available only in the event of unforeseen circumstances. A contingency fund of \$100 million would cover approximately 2 days' worth of benefits, so it would not be sufficient to provide adequate insurance to cope with unforeseen circumstances.</p> <p><b>GAO's observation:</b> Considering the declining participation in the Food Stamp Program and given that the Congress in FY1999 chose to fund the contingency fund at \$100 million, it could also choose to do so for FY2000.</p>
Food Stamp Program	\$17,900	\$18,400	<p><b>GAO's question:</b> Why is FNS requesting \$18.4 billion in benefit costs for FY2000 when its FY1999 current estimate is \$17.9 billion? What factors or assumptions are driving this increase? Why is FNS' estimate \$600 million higher than CBO's FY200 estimate of \$17.8 billion? EN, p. 27-43; PB, p. 166.</p> <p><b>Agency's response:</b> For FY2000, FNS is anticipating an increase in participants and therefore is requesting more funding for benefits. Increased benefit costs are driven by assumptions of increased participation, unemployment, and cost of monthly food consumption (Thrifty Food Plan) (see EN, p. 27-44). CBO estimates of benefit costs for FY2000 are lower than FNS' because they are using slightly different assumptions.</p> <p><b>GAO's observation:</b> Given that CBO's assumptions estimate a smaller number of food stamp participants and associated costs than FNS' and that economic forecasts for FY2000 cover a range of scenarios, the Congress may choose to fund the Food Stamp Program at CBO's estimated level and determine later in FY2000 whether additional funding is needed.</p>
Women, Infants, and Children (WIC)	\$3,924	\$4,105	<p><b>GAO's question:</b> For FY2000 USDA is requesting a net increase of \$181 million in discretionary funding for WIC to support an anticipated 100,000-person increase in program participation. Is this requested increase reasonable and needed?</p> <p><b>Agency's response:</b> USDA believes this estimate is reasonable and that the increase is justified. However, it acknowledges that arguments can be made both ways regarding whether WIC participation will increase by 100,000 in FY2000. There are some complex issues involved, including a provision of U.S. immigration law that may have a dampening effect on</p>

Program/account	FY net budget authority		GAO's question/agency's response
	FY1999	FY2000	
			<p>participation. Planned efforts to mitigate this immigration law's unintended effect, could result in increased participation among legal and illegal immigrants in the future. However, it is uncertain much increased participation would result from these mitigation efforts.</p> <p><b>GAO's observation:</b> Given that arguments can be made either way regarding whether WIC participation will increase by 100,000, the Congress may choose to fund only part of the net \$181 million increase requested.</p>
Child Nutrition, Discretionary Activities	\$23	\$43	<p><b>GAO's question:</b> The budget request includes a \$20 million (87%) increase in discretionary funds for studies and surveys, education and training, and computer support and processing. Specifically, \$13 million of the increase will fund a school breakfast demonstration project to evaluate the effects of providing breakfast to all children regardless of income. Can the school breakfast demonstration project be reduced or eliminated? EN, pp. 27-52, 27-56; PB, p. 167.</p> <p><b>Agency's response:</b> Last year, the Congress considered legislation to expand the school breakfast program to all children at no cost. Recent studies have suggested a link between school breakfast and improved educational performance. However, these studies are insufficient to assess the likely impact of a universal no-cost breakfast program. USDA must resolve this information gap by conducting a thorough evaluation of a pilot universal breakfast program. Eliminating or reducing this funding will prevent USDA from doing so, and prevent the Congress and the administration from making informed decisions about proposals to expand the school breakfast program.</p> <p><b>GAO's observation:</b> The Congress may decide that the families that can afford to pay for their children's breakfasts should do so; thus, the \$13 million would not be needed. If the studies are conducted, USDA needs to ensure that they contain analyses of the improvement in performance versus the cost of the program.</p>
<b>Total</b>	<b>\$25,292</b>	<b>\$27,710</b>	
<b>Estimated FY2000 increase</b>		<b>\$2,418</b>	

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