

**UNITED STATES DEPARTMENT OF AGRICULTURE**  
**FY 1999 ANNUAL PROGRAM PERFORMANCE REPORT**

**OVERVIEW**

**Introduction**

The United States Department of Agriculture (USDA) is a Federal Department composed of multiple agencies with installations spread across the Nation and in multiple foreign countries. It evolved on a decentralized basis in response to specific public policy objectives and the needs of its individual constituencies. USDA's programs are complex and diverse and affect virtually every American. Over the years, USDA has established and maintained a record of success in a number of areas, including child nutrition, agricultural research, conservation, and food safety.

USDA operates in a dynamic environment, and, consequently, must continue to evolve to keep pace with the social, economic, and technological changes that are transforming America and, indeed, the world. Policy officials and program managers must address program and service delivery improvements in the context of this environment without compromising the basic integrity of USDA programs or the quality of USDA services. The boldness and ability to innovate that led to past success must be tapped to enable USDA to manage change. To accomplish this, USDA will use every tool at its disposal to harness the disparate energies and propensities of the USDA agencies, its partners, and stakeholders in order to forge a new consensus and agenda for the future. The Department recognizes that successful implementation of the Government Performance and Results Act (GPRA) is a valuable tool for working with Congress to shape USDA programs, for making policy decisions, and for improving its program management effectiveness. USDA agencies are making progress in using GPRA requirements as a means to focus on desired results.

At the conclusion of the first full cycle of GPRA implementation (i.e., strategic plan, annual performance plan, and annual program performance report), USDA recognizes that there are impediments to future progress that must be overcome if USDA is to improve its performance and realize the full benefits of GPRA. These impediments include: (1) inadequate systems, which call into question the availability of accurate, credible, reliable, and timely performance data; (2) numerous crosscutting and cultural issues that must be addressed carefully due to their complex nature, and the inherent difficulties in changing organizational cultures; (3) poor quality in many of our performance goals and indicators; (4) the difficulty in aligning performance goals to the budget structure; (5) a number of competing and sometimes conflicting programs; and (6) USDA's difficulty in managing and controlling outcomes in selected programs because of its reliance on third parties (Federal, State, local, or tribal governments, or private sector partners) to deliver key components of USDA programs and services. In instances where we did not meet our targets, USDA is taking steps to understand why those targets were missed and what can be done to ensure goals are met in the future. Agencies' annual performance plans for FY 2000 and 2001 reflect commitments to improved performance in these areas.

USDA is moving toward a corporate management approach that is intended to foster a results orientation at all management levels in the Department. It is envisioned that as this approach takes hold and agencies gain more experience with GPRA, substantial, qualitative improvements will occur in USDA's ability to plan, monitor, assess, and report its performance. These improvements will result in better program management and service delivery which will be reflected in more cogent Annual Performance Plans and Annual Program Performance Reports at the agency level, and more concise and coherent Plans and Reports at the Departmental level.

Not unexpectedly, complexities exist in administering national programs the size, scope, and magnitude of, for example, Food Stamps, the National Forest System, the food inspection system, and farm and rural credit programs. These complexities pose major challenges to USDA management. There are no quick or easy solutions to the challenges and impediments USDA faces. Progress will continue to be slow and incremental as we reengineer our systems and processes and make the transition to the corporate approach. However, these and other changes are essential if USDA is to continue to be an effective and responsive program and service provider in the 21<sup>st</sup> Century. The Department will need the assistance of the Congress as it proceeds

with this effort. We look forward to working with the Congress, our partners, and our many customers and stakeholders in this endeavor.

## **Background**

The Government Performance and Results Act, P. L. 103-62, established the requirements that Federal agencies develop 5-year Strategic Plans to carry out their missions, that they develop Annual Performance Plans that outline the steps required to achieve their strategic goals and objectives, and that they document their progress in achieving the performance goals in their Annual Plans in an Annual Program Performance Report. The Act specified that the first Annual Program Performance Report should be submitted by March 31, 2000. USDA met the first requirement when it delivered its 5-year Strategic Plan to the Congress on September 30, 1997. Annual Performance Plans have been submitted along with the USDA budget since fiscal year (FY) 1999. This Report is submitted in response to the last requirement.

The mission of the USDA is to enhance the quality of life for the American people by supporting production agriculture; ensuring a safe, affordable, nutritious, and accessible food supply; caring for agricultural, forest, and range lands; supporting sound development of rural communities; providing economic opportunities for farm and rural residents; expanding, global markets for agricultural and forest products and services; and working to reduce hunger in America and throughout the world.

USDA's Strategic Plan identifies three basic goals that USDA wants to achieve to meet the needs of the people it serves. These goals are:

1. Expand economic and trade opportunities for agricultural producers and other rural residents.
2. Ensure food for the hungry, and a safe, affordable, nutritious, and accessible food supply.
3. Promote sensible management of our natural resources.

In addition to these goals, USDA has identified four critical management initiatives that promote effective customer service and efficient program delivery in the accomplishment of the mission. These initiatives are:

1. Ensure that all customers and employees are treated fairly and equitably, with dignity and respect.
2. Improve customer service by streamlining and restructuring county offices.
3. Create a unified system of information technology management.
4. Improve financial management and reporting.

This FY 1999 Annual Program Performance Report Overview contains performance goals and indicators that typify the Department's efforts to meet its strategic goals. The data in this Overview were extracted from the agency Annual Program Performance Reports that follow. These agency reports were developed to address the specific FY 1999 Annual Program Performance Report requirements and contain detailed information on performance indicators and targets, degree of success in meeting performance goals, discontinued performance measures, and other information concerning FY 1999 accomplishments.

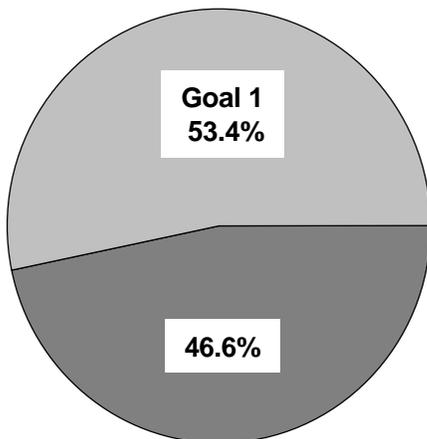
## GOAL 1: EXPAND ECONOMIC AND TRADE OPPORTUNITIES FOR AGRICULTURAL PRODUCERS AND OTHER RURAL RESIDENTS

### USDA Resources Dedicated to this Goal (Dollars in Millions)

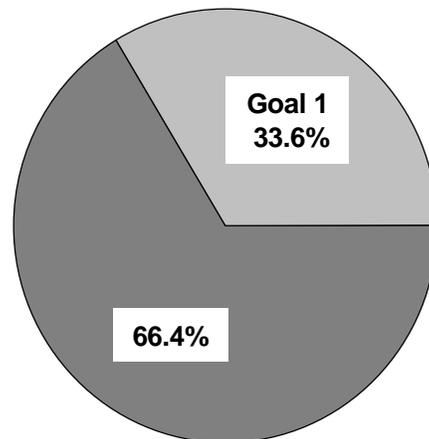
	FY 1999 Actual
Program Level	\$49,124
Staff Years	35,975

### Percent of FY 1999 USDA Resources Dedicated to this Goal

Program Level



Staff Years



## **GOAL 1: EXPAND ECONOMIC AND TRADE OPPORTUNITIES FOR AGRICULTURAL PRODUCERS AND OTHER RURAL RESIDENTS.**

In 1999, American farmers and ranchers suffered through a second straight year of economic hardship. Due to the fourth consecutive year of record worldwide production and continued weak demand in world markets, commodity prices remained stubbornly low. And, another year of bad weather led to devastating crop and income loss. Despite these conditions, the Department of Agriculture made considerable progress toward its strategic goal of expanding economic and trade opportunities for agricultural producers and other rural residents. The Department met or exceeded most of its annual targets in this area.

We enhanced the economic safety net for farmers and ranchers by working with Congress to offer discounts for new or increased crop insurance coverage. These discounts substantially increased participation in the crop insurance program, allowing producers to protect themselves against loss of income that might otherwise create substantial hardship or force them out of business. We have also developed ways to work with farmers to restructure loans so that more farmers can repay them and not become delinquent.

USDA also took some key steps toward opening, expanding and maintaining global market opportunities for agricultural producers. Our export promotion and market development programs contributed to the \$2.5 billion worth of export markets created, expanded or retained. We achieved an unprecedented development in U.S.-China agricultural trade relations by helping to broker an agreement that calls for the removal of China's longstanding bans on imports of U.S. wheat, citrus, meat, and poultry. The agreement also calls for China's commitment to the application of sound science in trade issues. Once this agreement is fully implemented, it is estimated that annual U.S. agricultural exports will increase by almost \$900 million.

The quality of life in rural America also improved during FY 1999 due to USDA's programs. Nearly three million rural consumers benefitted from electric system improvements that were made possible with new loan assistance and over 1.3 million rural residents received safe, affordable drinking water from new or improved facilities including 750,000 residents who previously had no public water service.

Although we exceeded many of our targets for expanding agricultural economic and trade opportunities, our performance indicators also highlight areas where the Department must make more progress. For example, we must identify new and innovative ways to ensure the safety net reaches underserved populations. We must increase awareness of and use of our rural loan programs so that more economic opportunities are available to rural residents.

Some specifics on how the Department plans to achieve Goal 1 are provided in the following section with more detail provided in the Annual Program Performance Reports for the Farm Service Agency (FSA), the Risk Management Agency (RMA), the Foreign Agricultural Service (FAS), and Rural Development (RD).

### **1.1: Enhance the economic safety net for farmers and ranchers.**

One of the primary goals of government intervention in the agriculture market is to provide an economic safety net for farmers and ranchers that will cushion them against market fluctuations and ultimately protect the food security of the United States. Small farms, in particular do not have the resources to handle economic stresses such as price fluctuations and natural disasters. In general, USDA views the economic safety net as consisting of three parts: farm income support and commodity loan programs, risk management programs, and farm credit programs. Conditions in FY 1999 continued to challenge the adequacy of the safety net.

**USDA's Farm Income Support and Commodity Loan Programs.** In FY 1999, production flexibility contract payments, emergency assistance, and loan deficiency payments (LDP) constituted the majority of government assistance to producers. The abundant commodity supplies, large harvests, and stagnant demand that continued to depress commodity prices in FY 1999 resulted in record levels of Federal support. Production flexibility contract payments totaling over \$5.5 billion were issued to approximately 1.2 million participants in

FY 1999. Also, at the direction of Congress, production flexibility contracts were used to determine eligibility for market loss assistance payments authorized by the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000. FSA provided over \$5.2 billion in market loss assistance payments in FY 1999, and an additional \$2 billion to producers through Crop Loss Disaster Assistance Program payments.

Low commodity prices also triggered significant increases in FSA marketing assistance loan and LDP program activity. In addition to economic factors, program demand increased when restrictions on eligible commodities were relaxed late in FY 1998. These less stringent restrictions allowed poor quality grain, contaminated grain, and commodities harvested as other than grain to be eligible for loans and LDPs.

	FY 1998 Actual	FY 1999 Target	FY 1999 Actual
<b>Loans or LDP issued on eligible production for commodities (except sugar) when loan exceeded market prices.</b>	79%	67%	82%(P)

(P) Preliminary data - final data available May 2000.

Although final data for the 1999 crop year is not yet available, the latest estimates indicate that approximately 82 percent of the actual production of wheat, corn, barley, oats, soybeans, and upland cotton will funnel through the marketing assistance loan and LDP program. These levels surpass the FY 1999 target of 67 percent. The FY 1999 level is a dramatic increase over FY 1997, when only 15 percent of production was included in the programs.

**Risk Management Programs.** Crop insurance, administered by the RMA and delivered by private sector reinsured companies, is the primary means of Federal assistance for agricultural crop losses. It offers producers a choice of coverage options to meet their individual risk management needs. Catastrophic coverage is free to the producer, except for a modest processing fee, and covers 50 percent of normal yield and 100 percent of expected market price. Higher levels of coverage are also available, although producers must pay a portion of the premium. Buy-up coverage is purchased for about 41 percent of the acres insured. The program also offers revenue insurance, which provides producers' protection against price declines and production losses. By participating in the crop insurance program, producers can protect themselves against loss of income that might otherwise create substantial hardship or even force them out of business. The total insurance in force suggests the amount of income protection producers would receive in the event of a total loss.

	FY 1998 Actual	FY 1999 Target	FY 1999 Actual
<b>Insurable acreage insured.</b>	67%	63%	73%
<b>Total insurance in force (in billions).</b>	\$27.9	\$24.6	\$30.8

In FY 1999, the actual insurable acreage insured which measures participation exceeded the target of 63 percent by approximately 16 percent. Participation was positively affected by the additional number of insurance plans available to producers and by 30 percent premium discount offered on new or increased crop insurance coverage, as authorized by the 1999 Agriculture Appropriations Act. As a result, approximately 100,000 producers increased their coverage levels and approximately 43,000 purchased new policies for the first time at coverages above the minimum level. Increased coverage indicates that a number of producers were able to meet their needs satisfactorily through higher levels of coverage.

Total insurance in force exceeded the FY 1999 target by 25 percent, an increase of 10 percent over the previous year. Total insurance in force is the amount of liability (or value of insurance in force) for all

producers participating in the Federal crop insurance program and was positively affected by the increase in the number of insurance plans available, premium discounts, program enhancements, risk management education efforts and other factors. The number of insurance plans available to producers increased by 17 (from 121 to 138) in FY 1999.

So that more producers could benefit from crop insurance protection, RMA implemented pilot programs for adjusted gross revenue insurance, and crops including avocado, cabbage, cherries, mustard, wild rice, and winter squash, among others during 1999. RMA expanded 29 programs into an additional 574 counties, for a national total of 35,423 programs in 2,983 counties. Cotton rates were lowered for many southern producers, improvements were made in the nursery and citrus programs, and program integrity was boosted by working with the General Accounting Office (GAO) and the Office of Inspector General (OIG) to improve the estimates of error rates for claim payments. RMA approved pilot programs for the 2000 crop year for cultivated clams, chili peppers, cucumbers, mint, snap beans, and strawberries and expanded other existing pilots. RMA also developed a coverage enhancement option of multi-peril crop insurance and stage removal insurance for onions for the 2000 crop year.

RMA responded to the urgent needs of farmers affected by declining commodity prices and the catastrophic effects of several years of disastrous weather, including those resulting from Hurricane Floyd. Following Hurricane Floyd, RMA promptly instituted special emergency loss determination procedures to expedite loss adjustments and speed indemnity payments to producers who were devastated by the flooding in eastern North Carolina, South Carolina, and Virginia.

**Farm Credit Programs.** The FSA provides assistance to eligible individuals and families through supervised credit, outreach, and technical assistance and offers direct and guaranteed farm operating and ownership loans to farmers and ranchers who are temporarily unable to obtain sufficient credit elsewhere. In FY 1999, FSA provided over \$3.9 billion in credit (37,590 loans), an increase of 77 percent over FY 1998, and the highest level in 15 years. FSA also provided emergency loans to farmers, ranchers, or aquiculture operators who have had a qualified disaster, based on the availability of appropriated funds. In FY 1999, emergency lending totaled \$329 million (3,970 farmers), the highest level since 1985. Additionally, FSA increased its outreach efforts in order to provide financial assistance to underserved groups.

	<b>FY 1998 Actual</b>	<b>FY 1999 Target</b>	<b>FY 1999 Actual</b>
<b>Percent of direct and guaranteed lending to beginning and socially disadvantaged producers.</b>	<b>13.0%</b>	<b>14.4%</b>	<b>11.9%</b>
<b>Delinquency rate of direct loan borrowers.</b>	<b>16.3%</b>	<b>17.0%</b>	<b>14.2%</b>

Despite not achieving its target of 14.4 percent, FSA increased the number of loans to this underserved group by 25 percent, from 3,186 in FY 1998 to 4,005 in FY 1999. A sharp increase in the total number of loans, up 37 percent from FY 1998, contributed to not meeting the FY 1999 target. As a result of continued outreach efforts, FSA anticipates achieving the FY 2000 target.

A low delinquency rate indicates more producers are on schedule with their loan payments and are less likely to cease farming. In FY 1999, the direct loan delinquency rate was 14.2 percent, well below the 17 percent target established in FSA's FY 1999 annual performance plan and a 43 percent reduction from the FY 1996 baseline of 20.3 percent. This occurred despite low commodity prices and numerous natural disasters. The decreased rate can be attributed to improved monitoring and training of loan officers and to the increase in government payments which helped to maintain farm income and temper financial hardships.

## **1.2: Open, expand, and maintain global market opportunities for agricultural producers.**

The U.S. has one of the most productive and efficient agricultural sectors in the world. During the period from

1948-1993, productivity growth was the principal factor responsible for economic growth in the agricultural sector—the agricultural productivity growth rate of 1.8 percent per year exceeded the 1.1 percent average annual rate in the private non-farm sector. Aggregate agricultural input use changed very little during this period. The relatively stable aggregate input level, however, disguises larger shifts in individual inputs: chemical and other purchased inputs and capital increased while labor input declined.

**International Markets.** A direct relationship exists between trends in world income and economic growth and demands for United States (U.S.) agricultural products. FY 1999 was a mixed year for U.S. agricultural trade. Exports reached \$49 billion—down almost 20 percent from the \$59.8 billion record of four years ago—but the decline is showing signs of a bottom, despite continued large stocks worldwide. In FY 2000, we project that exports will increase only slightly to the \$49.5 billion level. In FY 1999, we actually saw a gain in export volume of about 15 percent, and we expect a further gain of about half that in the current year. However, four consecutive years of bumper crops worldwide and the slow pace of economic recovery in Asia continues to weigh down prices.

The situation might have been much worse, especially for U.S. exports, if USDA had not continued the aggressive use of its long-standing programs and activities. USDA carries out a wide range of activities designed to ensure that America's farmers and ranchers can take full advantage of emerging market opportunities. FAS leads the Department's work in negotiating and monitoring trade agreements, administering market development and export promotion programs, and providing exporter services and assistance. The Agricultural Research Service (ARS) and the Cooperative State Research, Extension, and Education Service (CSREES) undertake research activities that facilitate trade, and the Agricultural Marketing Service (AMS), the Food Safety and Inspection Service (FSIS), the Animal and Plant Health Inspection Service (APHIS), and the Grain Inspection, Packers, and Stockyards Administration (GIPSA) provide commodity inspection and other technical services to exporters.

	<b>FY 1998 Actual</b>	<b>FY 1999 Target</b>	<b>FY 1999 Actual</b>
<b>Annual trade value of export markets created, expanded, or retained due to market access activities (in billions).</b>	<b>\$4.0</b>	<b>\$2.00</b>	<b>\$2.57</b>
<b>Annual trade value of markets created, expanded, or retained annually due to the development of international trade appropriate guidelines and standards (in billions).*</b>	<b>n/a</b>	<b>\$5.00</b>	<b>\$5.00</b>

\* New performance goal for FY 1999. It is not contained in the FY 1999 Annual Performance Plan.

One prime example of FAS' support was the Agreement on U.S.-China Agricultural Cooperation that was signed in April 1999. This was an unprecedented step forward in U.S.-China agricultural trade relations. The agreement calls for the removal of China's longstanding bans on the import of U.S. wheat, citrus, meat, and poultry. The agreement also calls for China's commitment to sound science, a key principle in the World Trade Organization's Sanitary and Phytosanitary Agreement. Removal of the phytosanitary restrictions alone should translate into a direct increase in U.S. exports of these products. Once fully implemented, this agreement should result in an estimated \$900 million increase in annual U.S. agricultural exports to China.

APHIS continued supporting agricultural trade by providing our trading partners with scientific data about the pest or disease status of U.S. agricultural products and by ensuring that trade restrictions for U.S. agricultural exports are based on sound science. As a result of these efforts in 1999, APHIS renegotiated over 100 animal export protocols, issued 324,000 plant health export certificates, and played a key role in resolving many foreign plant and animal trade barrier issues. For example, after pest or disease issues threatened or temporarily disrupted trade, APHIS was able to facilitate the release of over \$2.3 million of Florida citrus in Japan, open the U.S. hard red winter wheat exports to Brazil, and negotiate protocols for export of stonefruit shipments to Canada.

	<b>FY 1998 Actual</b>	<b>FY 1999 Target</b>	<b>FY 1999 Actual</b>
<b>Minimize the risk of exotic pests and diseases introduced in the U.S.:</b>			
<b>Compliance Rate for Cargo.</b>	<b>95.5%</b>	<b>96.0%</b>	<b>98.1%</b>
<b>Compliance Rate for International Air Travelers.</b>	<b>94.4%</b>	<b>94.9%</b>	<b>95.8%</b>

Through its exclusion efforts, APHIS safeguards U.S. plant and animal resources from exotic pests and diseases, while meeting agricultural trade obligations. APHIS begins its safeguarding efforts outside U.S. borders by working in other countries to help control foreign agricultural pests or diseases that pose significant biological risks to U.S. agriculture. A major component of APHIS' safeguarding system takes place at U.S. ports-of-entry, where inspectors ensure that international travelers and cargo companies comply with animal and plant health regulations. In FY 1999, APHIS inspectors at ports of entry confiscated 1.8 million prohibited plant and animal products entering the country and as a result, prevented 52,000 reportable pests from entering the U.S. In FY 1999, APHIS' Plant Protection and Quarantine program minimized the risk of invasive species introduced to the U.S. by helping to ensure that approximately 96 percent of international travelers and 98 percent of cargo companies were in compliance with agricultural regulations.

APHIS strengthens the domestic and international marketability of American agriculture by controlling and eradicating damaging pests and disease outbreaks that threaten to reduce the value of American agricultural exports and their access to international markets. By controlling and eradicating fruit fly outbreaks, APHIS ensures that barriers to trade are not erected by foreign governments to prevent the access of American agricultural products to their markets in an attempt to block the spread of the fruit fly into their agricultural system. APHIS continues to support and conduct cooperative fruit fly detection programs in States that are particularly susceptible to fruit fly establishment. Overall, in FY 1999, the program detected and responded to four fruit fly outbreaks (two oriental fruit fly and two Med fly) in the US as opposed to 11 in FY 1998. These outbreaks were contained to 249 square miles as opposed to the 1,099 square miles that outbreaks covered in FY 1998.

APHIS facilitates the development of significant non-threatening biotechnology-derived products for the benefit of agricultural producers and consumers. The program also enhances technology transfer by reducing domestic and international barriers to biotechnology development and trade. In FY 1999, there were 50 new crop varieties genetically engineered.

In FY 1999, APHIS became involved with an occurrence of West Nile Virus - a virus never before reported in the Western Hemisphere. The virus was identified in a limited area of the northeastern U.S. (in Connecticut, Maryland, New Jersey, and New York). Birds serve as the reservoir for the virus, which is spread to humans, horses, and other mammals via mosquitoes. The virus causes neurologic damage, and was confirmed as the cause of an outbreak of human encephalitis in New York City in August 1999. At the request of the New York State Department of Agriculture and Markets, APHIS sent an Early Response Team to investigate cases of horses that were exhibiting neurologic signs in Long Island. Coordinating with the Centers of Disease Control, the U.S. Geological Survey, the Southeastern Cooperative Wildlife Disease Study, and the agency's own National Veterinary Services Laboratories, a total of 24 cases of West Nile Virus was identified in horses on Long Island. APHIS continues to participate in surveillance of poultry and horses to prevent any further spread. However, several countries have closed their borders to our horse and poultry imports.

	<b>FY 1998 Actual</b>	<b>FY 1999 Target</b>	<b>FY 1999 Actual</b>
<b>U.S. commodity exports facilitated by CCC export credit guarantees (in billions).</b>	<b>\$4.0</b>	<b>\$4.7</b>	<b>\$3.04</b>

<b>Direct sales by U.S. participants at FAS international trade shows, and U.S. participants on FAS marketing services [trade leads, buyer alerts, and importer lists] (in millions).</b>	n/a	\$359	\$425
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In response to the financial crisis in Asia and elsewhere, USDA greatly expanded the programming of the Commodity Credit Corporation's (CCC) export credit guarantees in 1998 in order to maintain access for U.S. agricultural products to those markets. Market conditions and reduced demand resulted in lower level of sales registrations under the guarantee programs in FY 1999, but they still exceeded \$3 billion.

A prime example of the value of trade shows are the dividends received from FAS's sponsorship of purchasing officials from 85 South Korean food importing companies at the May 1999 Food Marketing Institute Show in Chicago, Illinois. Of those in attendance, 49 South Korean companies made purchases totaling \$42 million in U.S. sales according to a survey of participants.

**Domestic Markets.** In domestic marketing, APHIS, AMS, and GIPSA are working to promote marketing efficiency and to combat unfair practices to preserve a structure of American agriculture that promotes prosperity for producers of all sizes. Restraining agricultural concentration is a high priority. In this regard, efforts to monitor the performance and structure of the livestock, meat, and poultry industries are being expanded. In addition, these agencies are continuing their programs to develop commodity standards, conduct commodity grading, expand efforts to collect and distribute market news reports, protect domestic agriculture from animal and plant pests and diseases, and assure truthful labeling of meat and poultry products.

	<b>FY 1998 Actual</b>	<b>FY 1999 Target</b>	<b>FY 1999 Actual</b>
<b>Number of Brucellosis "free" States/territories (of 53 total States/territories).</b>	45	50	47

A state cannot be Brucellosis-free if infection is present within the State. Detailed program reviews were conducted in the Class A States in order to identify weaknesses in State programs that may delay the completion of eradication in those States. Those reviews, the Emergency Action Plan in effect, enhanced surveillance, and increased activity resulted in identifying more affected herds than expected. Weaknesses in the State program reviews have been addressed and the resulting increased activity continues in order to identify any remaining affected herds. In addition, national slaughter surveillance is being enhanced and is becoming the primary mechanism for conducting national surveillance. A previously conducted review of the slaughter surveillance system identified weaknesses in this system as well. A national surveillance coordinator was appointed in 1999 which should help strengthen surveillance activities in FY 2000.

**Other Activities.** In 1999, GIPSA introduced 49 methods or tests to increase the efficiency of grain inspection and weighing processes. This helps to promote and protect the integrity of the domestic and global marketing of U. S. grain for the benefit of American agriculture. In addition, the cost of official grain inspection and weighing services per metric ton exceeded the goal of \$0.24. It was reduced to \$0.22.

### **1.3: Provide access to capital and credit to enhance the ability of rural communities to develop, grow, and invest in projects to expand economic opportunities and improve the quality of life for farm and rural residents.**

USDA's Rural Development (RD) programs help rural residents, businesses, and communities gain access to capital and credit both through technical assistance and planning and by providing a wide range of financial

assistance, including grants, direct loans, and guarantees of loans made by private lenders. Without such assistance, those helped would be left behind, and rural areas would lack the same opportunities that exist in more prosperous urban communities. USDA's three Rural Development agencies – the Rural Utilities Service (RUS), the Rural Housing Service (RHS), and the Rural Business-Cooperative Service (RBS) – have the lead role in providing access to capital and credit for rural Americans. However, a number of other USDA agencies provide support, including the Forest Service (FS), which operates an economic recovery program for communities dependent on natural resources, CSREES, the Economic Research Service (ERS) and ARS, which provide research, and the National Agricultural Statistics Service (NASS) which collects statistical data about rural areas.

	<b>FY 1998 Actual</b>	<b>FY 1999 Target</b>	<b>FY 1999 Actual</b>
<b>Rural consumers benefitting from electric system improvements made possible with new loan assistance (in millions).</b>	<b>2.7</b>	<b>2.4</b>	<b>2.8</b>
<b>Rural residents receiving safe, affordable drinking water from new or improved facilities (in thousands).</b>	<b>1,302</b>	<b>1,102</b>	<b>1,314</b>
<b>Rural residents receiving safe, affordable waste disposal service through new or improved facilities (in thousands).</b>	<b>608</b>	<b>515</b>	<b>584</b>

The RD mission area invested nearly \$9.9 billion in rural people, communities, and businesses in FY 1999. As a result of RD efforts, 2.8 million customers of rural cooperatives received improved electrical service; 170,000 rural residents and businesses received first time telecommunications services; 131 health care providers received telemedicine facilities and 287 schools received distance learning facilities; over 1.3 million rural Americans received safe drinking water from new or improved public water systems, including over 750,000 rural residents who previously had no public water service; over 583,000 rural residents received modern waste disposal systems.

	<b>FY 1998 Actual</b>	<b>FY 1999 Target</b>	<b>FY 1999 Actual</b>
<b>Rural families receiving home ownership loans and grants for purchase or repair.</b>	<b>67,691</b>	<b>59,701</b>	<b>65,721</b>
<b>Housing units with new or renewed rental assistance payments to make rents affordable for low income occupants.</b>	<b>39,044</b>	<b>41,532</b>	<b>42,357</b>

During FY 1999, RHS programs provided over 65,000 rural families, who could not otherwise qualify for financing, the ability to buy or improve their homes. New or improved community facility projects, such as libraries, day care centers, and health clinics, which will serve about eight million rural residents were undertaken in 638 communities. The number of affordable rental units in rural communities increased, and the number of rural families receiving housing assistance exceeded expectations.

During FY 1999, RBS provided a variety of loans, grants and technical assistance, over \$1.3 billion in business and industry loan guarantees that will result in good jobs. Rural Development created or saved more than 200,000 jobs through investment in rural businesses, housing and community infrastructure. The jobs are at rural businesses financed by Rural Development as well as jobs created as the result of the construction of new homes and community projects in rural areas.

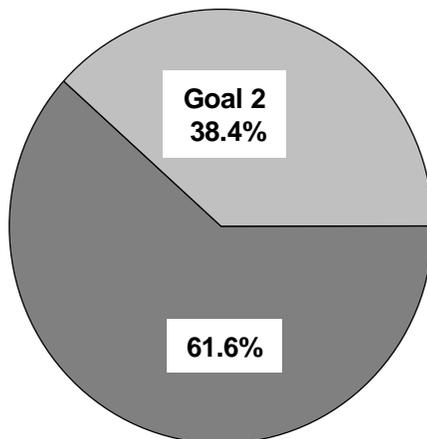
**GOAL 2: ENSURE FOOD FOR THE HUNGRY, AND A SAFE, AFFORDABLE, NUTRITIOUS, AND ACCESSIBLE FOOD SUPPLY**

**USDA Resources Dedicated to this Goal  
(Dollars in Millions)**

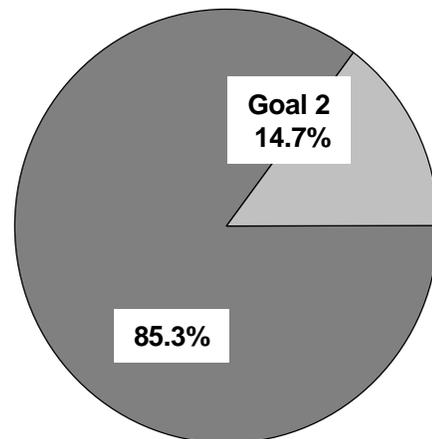
	<b>FY 1999 Actual</b>
<b>Program Level</b>	<b>\$35,296</b>
<b>Staff Years</b>	<b>15,764</b>

**Percent of FY 1999 USDA Resources Dedicated to this Goal**

**Program Level**



**Staff Years**



**GOAL 2: ENSURE FOOD FOR THE HUNGRY, AND A SAFE, AFFORDABLE, NUTRITIOUS, AND ACCESSIBLE FOOD SUPPLY.**

USDA made substantial progress in its efforts to reduce hunger and improve nutrition in FY 1999. USDA's nutrition assistance programs, promoted food security and fought hunger by delivering over \$30 billion in benefits to children and low-income people who needed them. This effort was aided by the continuing modernization of delivery systems through electronic benefit transfer (EBT), which not only improved the administration of food and nutrition assistance programs, but also promoted increased participation in USDA programs by simplifying sales transactions at participating stores. USDA aided national food recovery and gleaning efforts, and over 1.6 billion pounds of food were rescued and distributed to individuals who live below the poverty level through the combined efforts of the public and private sector. To promote improved nutrition, USDA developed and disseminated the Food Guide Pyramid for Young Children, which communicates healthy eating and physical activity messages to children ages 2 to 6. The Department is promoting partnerships with eleven national food companies and a national parenting magazine to promote the new Pyramid.

Significant strides also were made in the area of food safety, where performance met or exceeded anticipated levels. Preliminary data shows that major inroads have been made in reducing the prevalence of *Salmonella*, a leading cause of foodborne illness and death, in raw products such as broilers, swine, ground beef and ground turkey due to the implementation of USDA's rule for Pathogen Reduction and Hazard Analysis and Critical Control Point (HACCP) System, a scientifically-based system to reduce pathogens on raw products. Under this rule, large plants were required to have HACCP systems in place during FY 1998, small plants during FY 1999, and very small plants during FY 2000. For the second successive year, implementation of HACCP proceeded smoothly, and about 99 percent of meat and poultry slaughter and processing facilities are in compliance with the rule. Recognizing that the safe handling of food is equally as important as the use of scientific and technological techniques to improve food safety, USDA collaborated with public health agencies and others to promote food safety education. In FY 1999, 83 million people received food safety information.

Although USDA cannot control world food security and consequently experienced difficulties in meeting performance goals in this area, the FY 1999 level of U.S. foreign food assistance reached one of its highest points of the past 25 years. USDA programs supported commodity exports totaling over \$1.5 billion. USDA supported the strategies in its *U.S. Action Plan on Food Security* by providing technical assistance, training and research support to agriculturalists worldwide and by donating food aid to alleviate hunger in 53 countries, including 1.4 million metric tons of commodities valued at more than \$500 million that were sent to Russia as part of the Secretary's food assistance package.

Despite strong overall performance in the nutrition assistance programs, the Department will strive to improve performance in the coming years. In particular, USDA intends to significantly increase access for eligible people to a number of nutrition assistance programs. The Department hopes to reverse the trend of declining rates of Food Stamp Program participation, and intends to expand access to the School Breakfast Program (SBP), the Summer Food Service Program (SFSP) and the after-school snack programs. Such improvements are critical to ensuring that these vital programs achieve their ultimate goals: reduced hunger and improved nutrition across the Nation.

Specific accomplishments relating to Goal 2 are provided in the following section with more detail provided in the Annual Program Performance Reports for the Food and Nutrition Service (FNS), Center for Nutrition Policy and Promotion (CNPP), and FSIS.

**2.1: Reduce hunger by assuring low-income households access to adequate supplies of nutritious food.**

The primary purpose of the Nation's nutrition assistance programs, administered by USDA through the FNS, is to promote the health and well-being of the Nation by increasing food security, reducing hunger, and

improving nutrition levels, particularly among children and low-income people. The programs are operated as State/Federal partnerships. The largest programs include:

- **The Food Stamp Program (FSP)**, which helps nearly 18 million low-income people each year get a more nutritious diet. Food stamp participation traditionally has closely followed the pattern of poverty in America. In recent years, however, the two patterns have diverged somewhat, with FSP participation falling more rapidly than the number of persons in poverty.
- **The Child Nutrition Programs**, including the National School Lunch Program and the SBP, which provide free and low-cost nutritious meals to about 27 million children each day in participating schools. For many, school meals are the only full meals they eat. The SFSP is designed to provide nutritious meals to children when school is out. Currently, SFSP participation in the summer averages only about 2.2 million; the Department encourages States to expand access to meals for low-income children during summer through this program.
- **The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)**, which addresses the special needs of at-risk, low-income pregnant, postpartum and breastfeeding mothers, and children up to five years of age. It provides participants with supplemental food packages targeted to their dietary needs, nutrition education and referrals to health and social services. The program served an average of about 7.3 million people each month in FY 1999.

**Program Integrity.** The Department is committed to strong stewardship of Federal program funds, and recognizes the need to continue to improve program integrity. Efforts are continuing to promote benefit accuracy in the FSP, to improve retailer and vendor compliance with program regulations in FSP and WIC, and to strengthen controls over participant error, fraud, and abuse. A major initiative is underway to improve management in the Child and Adult Care Food Program. All of these efforts should help to ensure that program dollars actually benefit the children and low-income people the programs are intended to serve.

Benefit delivery systems are being modernized through EBT to improve convenience and dignity for participants while offering new tools in the fight against program fraud and abuse. When fully implemented, EBT holds the potential to reduce administrative costs, and removes participation barriers by simplifying sales transactions at participating food stores for both merchants and participants.

	<b>FY 1998 Actual</b>	<b>FY 1999 Target</b>	<b>FY 1999 Actual</b>
<b>Improve program integrity: Food Stamp claims collected (in millions).</b>	<b>\$199.6</b>	<b>\$190</b>	<b>\$213</b>
<b>States issuing benefits via EBT: Food Stamps.</b>	<b>36</b>	<b>38</b>	<b>40</b>

The program exceeded the performance target for FSP collection of claims against recipients for erroneously or improperly issued benefits, recouping well over \$200 million in lost program dollars. The program exceeded the performance target for Food Stamp EBT. This acceleration in EBT implementation reflects the efforts of FNS and its State partners to move quickly toward delivery of all FSP through EBT, and the acceptability to recipients and retailers of EBT as a mode of benefit delivery. The target of four States for the WIC program was not met. Development and implementation of EBT for WIC have progressed more slowly than initially anticipated because the smartcard technology required to support the program's administrative requirements remains costly.

**Farmers' Markets.** A key USDA initiative is to increase consumption of fruits and vegetables while, at the same time, helping farm income, particularly for small farmers. These goals are well served by the Farmers' Market Nutrition Program, which provides WIC participants additional coupons for the purchase of fruits and

vegetables good only at authorized farmers' markets. Over 1,500 farmers' markets and over 9,500 farmers participate in the Program, which provides benefits to about 1.4 million participants.

	FY 1998 Actual	FY 1999 Target	FY 1999 Actual
<b>States operating Farmers' Market Programs.</b>	<b>35</b>	<b>39</b>	<b>39</b>

In FY 1999, the Department succeeded in reaching its target to secure the participation of 39 States in the Farmers' Market Nutrition Program, continuing to increase the availability of this important and effective program.

Farmers' markets can also qualify as food stamp vendors, just as produce stands and egg or produce route vendors can. But in those States that deliver food stamps through EBT, the technology required can pose a barrier to program participation by these markets. In FY 1999, the Department achieved its goal to complete a demonstration of a number of approaches that make EBT technically feasible for farmers' markets. Notably, the project was such a success that, even following completion of the demonstration, the market participating in the demonstration continues to accept EBT-based food stamp benefits.

**2.2: Reduce the incidence of food borne illness and ensure that commercial supplies are safe and wholesome.**

**HACCP.** USDA places a high priority on improving the safety of America's food supply through improved inspection systems, correct labeling, research, and education and has undertaken a number of major activities to reduce food borne illness and improve consumer confidence in the food supply. The Pathogen Reduction/HACCP regulation requires all meat and poultry plants to implement a HACCP system of process controls to prevent chemical, physical, and biological food safety hazards, and to implement written standard operating procedures for sanitation. Additionally, the regulation establishes food safety performance standards and testing requirements to ensure those standards are met.

Implementation began during FY 1997 and will be completed during FY 2000. During 1998, the largest meat and poultry plants were required to have HACCP systems in place and to meet the performance standards for *Salmonella*. In FY 1999, the FSIS entered into the second phase of implementation of the final rule on Pathogen Reduction/HACCP systems which was issued July 25, 1996. Small plants were required to meet these requirements by January 25, 1999. Very small plants implemented these requirements in January 2000. The actual performance of 680 plants in compliance with the *Salmonella* testing requirement represents a 90.5 percent compliance rate during FY 1999 for the 750 plants that were subject to *Salmonella* testing.

**Workforce Improvements.** FSIS will continue to support HACCP related food safety activities by training meat and poultry inspectors to carry out the redefined regulatory tasks and procedures and by ensuring industry and State programs understand their new roles and responsibilities. Training will be provided to employees on an as needed basis as HACCP regulations are phased-in.

With the implementation of the Pathogen Reduction/HACCP rule, FSIS moved away from a command-and-control philosophy to one that emphasizes separation of Agency and industry roles, with performance standards for industry. These changes have a great effect on Agency culture, inspection policies and practices, and the general interactions among all FSIS employees. Cultural change takes years to accomplish and is difficult to measure. It requires dedicated staff and continuing support. A number of strategies have been utilized by FSIS to facilitate the expected cultural changes throughout the Agency.

	FY 1998 Actual	FY 1999 Target	FY 1999 Actual
<b>Percentage of FSIS meat and poultry employees trained in HACCP tasks and procedures.</b>	<b>54.9%</b>	<b>92.3%</b>	<b>92.3%</b>

The significance of the cultural change is critical as it provides the basic infrastructure necessary for implementing the HACCP system and other activities. All meat and poultry plants were required to implement Sanitation Standard Operating Procedures (SSOPs) by January 27, 1997. As a result, the training of FSIS employees in SSOP tasks and procedures was completed prior to that date. FSIS did, however, train 350 new employees in SSOP tasks and procedures in 1999, meeting its performance target. At the end of FY 1999, FSIS had successfully trained 92.3 percent of its meat and poultry employees in HACCP tasks and procedures, meeting the performance target. In October 1999, FSIS also established a program for field supervisors, the "Performance Management and Correlation Program," designed to further sensitize supervisors to their responsibilities to lead the change. In FY 1999, FSIS continued its effort to conduct extensive technical and culture change training to 1,700 employees in preparation for the second and third phases of HACCP implementation in small and very small plants on January 25, 1999 and January 25, 2000 respectively.

**Food Safety Education.** FSIS, FNS, and CSREES collaborate with other public health agencies and stakeholders to implement food safety education programs contained in the President's Food Safety Initiative. These programs are aimed at developing and disseminating information on safe food handling practices to producers, food handlers, and consumers to assist in reducing the incidence of food borne disease.

As part of Executive Order 13100, the President directed his Council on Food Safety to develop annual coordinated food safety budgets. The Council includes USDA, the Department of Health and Human Services, the Environmental Protection Agency (EPA), the Office of Management and Budget (OMB), and the Department of Commerce. The goal is to develop budgets that sustain and strengthen existing capacities, eliminate duplication, help identify priority areas for investment, ensure the most effective use of resources for improving food safety, and address cross cutting issues. Efforts are currently underway to develop a coordinated strategic plan and budget during FY 2000.

FSIS is collaborating with the National Food Safety System on developing guidance on a model State Meat and Poultry Inspection (MPI) program, which might serve as a guide for other State food protection agencies as well as assist State MPI programs. Such guidance will be especially useful if Congress acts on FSIS-supported legislation to permit State-inspected products in interstate commerce, mandating a new working relationship between FSIS and the States on meat and poultry inspection.

As part of the President's Food Safety Initiative, FSIS is a key player in the Partnership for Food Safety Education Program, a major public and private food safety education program launched in October 1997. The Fight BAC! Campaign evolved from this program and in early 1999, about 30,000 Fight BAC! Presenters' Guides were distributed nationally for grades K through 3.

USDA has also been working to develop safer pest controls in response to the stricter pesticide registration requirements imposed by Food Quality Protection Act (FQPA). Building on strong programs in research, extension, statistics, and marketing, the Department has been working closely with the EPA in coordinating the development and implementation of dietary survey procedures with respect to the food consumption patterns of infants and children; improving data collection of pesticide residues to provide guidelines to EPA on the use of comparable risk analysis; collecting data on the use of pesticides on fruit and vegetable crops; and examining the current status and potential improvement of collecting pesticide-use information. USDA is also collaborating with EPA in developing new pesticide policies, creating new research and technology transfer programs, and establishing appropriate procedures to provide a reasonable transition for U.S. growers to safer pest controls options.

**2.3 Promote gleaning and other food recovery programs.**

This program ensures that edible food that might otherwise be lost to human use is made available to those who live below the official poverty level. With the help and enthusiasm of nonprofit organizations and the private sector and the law indemnifying donors, USDA's goal is to increase food recovery by 33 percent, or 500 million pounds in FY 2000 over FY 1998.

	<b>FY 1998 Actual</b>	<b>FY 1999 Target</b>	<b>FY 1999 Actual</b>
<b>Billions of pounds of food rescued and distributed to needy individuals.</b>	<b>1.5</b>	<b>2.0</b>	<b>&gt;1.6</b>

Under the leadership of Secretary Dan Glickman, USDA has made food recovery and gleaning a top priority. The Department, rather than creating a new bureaucracy, has encouraged, energized, and provided technical assistance to existing and new private, nonprofit, and corporate food recovery and gleaning efforts. These efforts have increased by tens of millions of pounds the amount of excess food distributed to the hungry.

The exact amount of food gleaned nationally is virtually impossible to determine. FSA alone facilitated the recovery or gleaning of over six million pounds of food in 1999. Private and nonprofit entities were responsible for many times that amount. For instance, one nationwide network of food banks estimates that it provided over one billion pounds of donated food to hungry people. Given limited resources, USDA chose to spend its funds in areas that would directly benefit the hungry, rather than on establishing complex data collection systems to monitor the amount of food gleaned or recovered.

Some examples of USDA's work to facilitate national food recovery and gleaning efforts to benefit the hungry using only limited resources in 1999 include: (1) USDA created and distributed guides on food recovery and gleaning for the public and food service industry; (2) FSA provided a gleaning and food recovery coordinator in each State to facilitate local efforts; (3) FNS assisted State agencies in using The Emergency Food Assistance Program funds to support gleaning and food recovery efforts; (4) Department of Defense commissaries increased their excess food donations by more than 300 percent; (5) USDA, the Department of Transportation, Hewlett Packard, and Second Harvest created a computer system to facilitate transportation for donated food; (6) Community groups can now collect excess food from USDA research farms; (7) USDA changed its regulations to allow farmers receiving crop insurance to donate wholesome produce from otherwise damaged fields; and (8) Congress altered USDA's authorities to allow the Department to obtain Federal surplus food for distribution to anti-hunger groups.

**2.4: Improve dietary practices and promote a healthy, well nourished population through nutrition education and research.**

Promoting healthy eating is critical part of USDA's mission. USDA is working to make nutrition education an integral part of Federal nutrition assistance programs. In addition, the Department encourages the general public to improve their diets through the Center on Nutrition Policy and Promotion (CNPP). CNPP also prepares and disseminates nutrition-related policy guidance that is used at the Federal, state and local levels. In 1999:

- CNPP developed and disseminated the Food Guide Pyramid for Young Children, which is designed to communicate healthy eating and physical activity messages to children ages 2 to 6. The Department is promoting partnerships with eleven national food companies and a national parenting magazine to promote the new Pyramid. CNPP has received a large volume of requests for the materials.

- FNS delivered state-of-the-art guidance to support improvements in school meals through the Healthy Meals Resource System. The National Agricultural Library (NAL) works in a cooperative agreement with FNS to operate a Healthy Meals Resource System Web page, which responds to the information needs of school food service personnel. In FY 1997, information was provided to or obtained by individuals 1,770 times in an average month. Actual data for FY 1999 show an average monthly total of 4,180. Analysis of this data shows a threefold increase in the use of the web page.
- FNS WIC program staff began a major effort, working with the Society for Nutrition Education, the National Association of WIC Directors, and others, to develop strategies to strengthen and improve nutrition education in the WIC Program.

## **2.5: Enhance world food security and assist in the reduction of world hunger.**

In November 1996, the U.S. Government participated in the World Food Summit in Rome, Italy, where participating countries established a goal to reduce by half the number of the undernourished people throughout the world by the year 2015. USDA carries out a wide range of activities which contribute to the goal of reducing world hunger and thereby enhancing world food security.

In FY 1999, USDA released the *U.S. Action Plan on Food Security* that specifically identifies seven strategies that will promote food security worldwide. FAS is USDA's lead agency in implementing aspects of the Plan. It is generally accepted that reducing food insecurity in any country is a complex effort that involves economic, political, social, and cultural components. Much of the reduction of world food insecurity falls outside the U.S. Government's purview or span of authority. The U.S. Action Plan specifies seven strategies that will help promote food security worldwide. FAS successfully supported these strategies by contributing technical assistance, training and research support to agriculturalists worldwide and by donating food aid to alleviate hunger in various countries. FAS collaborated with other multilateral and international organizations to leverage funds on issues of mutual concern and to promote the U.S.'s agricultural agenda in the international arena.

**Food Aid.** Food aid is another one of the strategies identified in the U.S. Action Plan. In FY 1999, food aid levels reached one of the highest of the past 25 years. Food was shipped to over 53 different countries, 17 in Africa, 10 in Asia, 10 in Latin America, nine in the former Soviet Union countries, five in the Balkan region of Europe, and two in the Middle East. Additionally, food was contributed to the World Food Program of the United Nations.

The level of U.S. foreign food assistance increased substantially in 1999. Donations of commodities under section 416(b) authority were at a record level as a result of the Food Aid Initiative announced by President Clinton on July 18, 1998. Under that initiative, over five million metric tons of wheat and wheat products were made available for donation overseas through agreements with foreign governments, private voluntary organizations, and the World Food Program of the United Nations. Programming of this assistance was completed by the end of FY 1999, but shipments of the commodities continued through the end of the calendar year.

During FY 1999, FAS also administered a package of food assistance for Russia which was announced by the Secretary of Agriculture on November 6, 1998. The package included approximately 1.4 million metric tons of commodities provided through P.L. 480 Title I concessional financing agreements and Food for Progress (FFP) grant agreements carried out with Title I funds. An additional 1.7 million metric tons of wheat was provided to Russia through the President's Food Aid Initiative. Although programming of the assistance was completed during FY 1999, some commodity shipments carried over to FY 2000.

	FY 1998 Actual	FY 1999 Target	FY 1999 Actual
<b>U.S. commodity exports supported:</b>			
<b>P.L. 480 Title I (in millions).</b>	\$228	\$996	\$656.2
<b>Food for Progress (CCC-funded) (in millions).</b>	\$84	\$98	\$71.9
<b>Section 416(b) Donations (in millions).</b>	\$2	\$787	\$793.6

In FY 1999, Title I and Title I funded Food for Progress agreements were signed for 2.2 million metric tons of commodities valued at about \$656.2 million. Of this, about 1.4 million metric tons of commodities valued at about \$507.6 million were programmed to Russia as part of the Secretary's food assistance package. Ocean freight financing and ocean freight grants totaling \$80.2 million were also provided to ship these commodities to Russia under the food assistance package.

In addition to FFP programs carried out with P.L. 480 Title I funds, the funds and facilities of the CCC may be used to support FFP programming. In the case of these programs, private voluntary organizations are able to monetize the

commodities received under an agreement with CCC to generate local currencies to fund development projects. In FY 1999, USDA continued programming in countries beyond the republics of the former Soviet Union to include Africa, Latin America, and Asia. Programs were planned with U.S. private voluntary organizations for projects in 21 countries totaling about 164 thousand tons of commodities with a value of \$71.9 million.

The Section 416(b) program allows for the donation of surplus commodities, made available from CCC stocks, to assist needy people overseas. In FY 1999, approximately 5.5 million metric tons valued at \$793.6 million were programmed under Section 416(b), including over five million metric tons of wheat and wheat products under the President's special food aid initiative. These commodities were purchased by CCC under its surplus removal authority.

**Agricultural Development.** FAS also administers technical assistance, training, and research programs which promote agricultural development in developing countries. Many of these activities are carried out with funds made available to FAS by the Agency for International Development and international organizations through reimbursable funding agreements. ARS, CSREES, ERS, NRCS, and FS also contribute to these activities.

	FY 1998 Actual	FY 1999 Target	FY 1999 Actual
<b>Number of FAS-administered research, technical assistance, and training activities supporting sustainable agricultural development.</b>	753	795	789

FAS' technical assistance, training and research activities are geared toward educating agriculturalists from other countries about U.S. food production, regulations, and policies. The goal is to train international agriculturalists about U.S. agricultural objectives and build like agricultural institutions' capacity to promote sustainable agriculture.

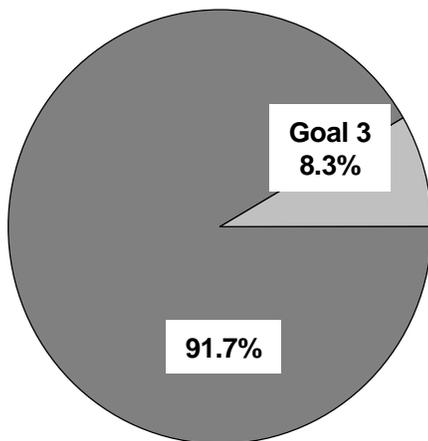
**GOAL 3: PROMOTE SENSIBLE MANAGEMENT OF OUR  
NATURAL RESOURCES**

**USDA Resources Dedicated to this Goal  
(Dollars in Millions)**

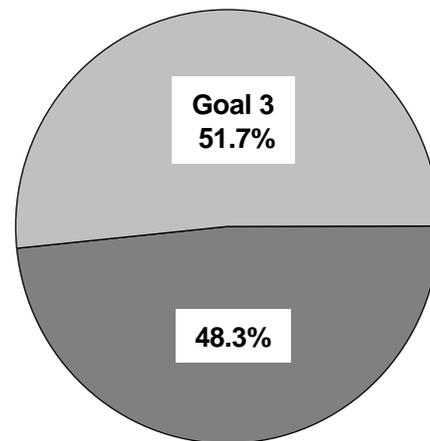
	<b>FY 1999 Actual</b>
<b>Program Level</b>	<b>\$7,590</b>
<b>Staff Years</b>	<b>55,259</b>

**Percent of FY 1999 USDA Resources Dedicated to this Goal**

**Program Level**



**Staff Years**



**GOAL 3: PROMOTE SENSIBLE MANAGEMENT OF OUR NATURAL RESOURCES.**

Conservation of our natural resources is essential to the well-being of the Nation. Because USDA programs affect over 85 percent of the total land acreage of the United States, USDA continued to play a major role in promoting conservation during FY 1999. USDA took steps to protect ground and surface water quality, to prevent erosion of topsoil, and to increase wildlife habitats through its Conservation Reserve Program, Conservation Technical Assistance Program, and related programs. USDA provided conservation technical assistance to more than 1 million people, more than 600,000 of whom received help in planning and applying a conservation practice on the land. As a result, 31.5 million acres were enrolled in the CRP program, 3.8 million acres of permanent wildlife habitat were established through the CRP, 23 million acres of highly erodible land were retired through the CRP, and 6,100 agricultural waste management facilities were completed to protect water and air quality.

In addition, USDA undertook initiatives in the four priority areas of natural resources. The watershed health and restoration achieved significant progress in restoring or enhancing streams and lakes for fish habitat, reducing hazardous fuels, and reforesting lands through programs that assisted communities to protect watersheds from damage caused by erosion, floodwater, and sediment, and to conserve and develop water and land resources. Sustainable forest ecosystem management was promoted through forest health surveys and evaluations, stewardship management plans, technical assistance to communities, and acquisition of land under the Legacy program. Forest roads initiatives resulted in substantial investments to improve existing roads while closing unnecessary roads. Recreation opportunities were promoted by expanding seasonal capacity, reconstructing roads, and issuing special use permits. In addition to these four areas, the Forest Service (FS) continues to produce commodities within the limits of the ecosystems, including timber, livestock grazing, and mining and energy operations.

Managing our national resources continued to be a complex and difficult task in FY 1999 as USDA agencies sought to balance such competing demands and interests as agricultural production vs conservation; industry vs environmental concerns; the need to provide accommodations for visitors to the national forests vs the need to maintain the pristine condition of the ecosystem; and protection of wildlife and wildlife habitats vs the protection of our natural resources, human health and safety, and property from wildlife. The complexity and political sensitivity of these issues have a direct bearing on our ability to meet planned strategic and performance goals.

In addition, the difficulty of obtaining reliable data is a major drawback in assessing performance under this strategic goal. In most of the ten cases where performance goals were not met, data are not considered sufficiently reliable to determine whether a data collection problem or a performance problem exists.

Some specifics on how the Department plans to achieve Goal 3 are provided in the following three sections with more detail provided in the Annual Program Performance Reports for the Natural Resources Conservation Service (NRCS), the FS, and FSA.

**3.1: Promote sustainable production of food and fiber products while maintaining a quality environment and strong natural resource base.**

**Soil Surveys.** NRCS is responsible for leading the National Cooperative Soil Survey, which promotes the use of soil information and develops policies and procedures for conducting soil surveys on non-Federal lands. Soil surveys provide basic information needed to manage soil sustainability and protect water quality, wetlands, and wildlife habitat. Over the past several years, NRCS has been in the process of digitizing older soil surveys to better meet user needs and permit a more effective use of soil information.

	FY 1998 Actual	FY 1999 Target	FY 1999 Actual
<b>Annual number of soil surveys in digital form.</b>	274	350	366

NRCS slightly exceeded the performance target due to the number of surveys in the production pipeline and to the maturity of the NRCS digitizing unit infrastructure, which was established in the spring of 1998.

**Clean Water Action Plan.** Agricultural production involves many activities and practices that can affect the quality of water resources under and near the field. Improper soil maintenance, the use of chemicals, irrigation, and livestock operations all contribute to the pollution of our water resources. The extent and magnitude of agricultural pollution is difficult to assess because of its nonpoint nature; however, agriculture is a leading source of impairment of the Nation's rivers and lakes, and a major source of impairment of estuaries.

	FY 1998 Actual	FY 1999 Target	FY 1999 Actual
<b>Annual number of miles of conservation buffers for water quality and wildlife installed.</b>	50,000	50,000	73,400

Conservation buffers are areas or strips of land established and maintained in permanent vegetation along streams and other bodies of water, field edges, headlands, end rows, or across critical long slopes to intercept runoff and pollutants and are used to protect and enhance resources on a farm or ranch or in a community. Buffers are an essential element in the strategy to achieve USDA's erosion control and watershed health objectives. The 1999 data includes practices established on the land according to NRCS standards.

**Conservation Tools.** Given the interdependence of all natural resources, effective conservation demands an integrated approach that recognizes the interdependence of all natural resource concerns including grazing lands, water quality, wildlife habitat, and wetlands. In FY 1999 and FY 2000, NRCS will employ all its conservation tools including the Conservation Technical Assistance Program, the Environmental Quality Incentives Program and the Wetlands Reserve Program to improve these critical components of healthy and productive land.

	FY 1998 Actual	FY 1999 Target	FY 1999 Actual
<b>Annual number of acres of wetlands restored (in millions).</b>	n/a	230	270
<b>Annual number of acres on which wildlife wetland habitat management practices have been applied (in millions).</b>	n/a	440	390

The acres of "wetland creation or restoration applied" reported by NRCS may not be the same acres reported as "wetland restored" in the same FY under FSA's CRP. This performance indicator reports acres as created, restored, or enhanced only when a practice has been applied to NRCS technical standards.

**Conservation Technical Assistance.** Conservation became more highly visible after the 1985 Food Security Act which required that all USDA program participants fully implement a conservation plan for their highly erodible land in order to remain eligible for assistance. NRCS' CTA Program is the foundation for much of the Department's conservation effort and is the primary means for dispensing accurate technical information and services to those who need it. It not only provides technical support for the Department's cost-share and land retirement programs, but also plays a critical role in maintaining USDA's unique conservation partnership with individuals, various State and local governmental agencies, and grassroots organizations. The success

of this partnership, which involves about 8,000 district and State conservation agency staff who work with USDA agencies in over 2,500 Service Centers, depends on USDA maintaining a diverse and satisfied customer base and on having the right science-based information and technology tools.

	FY 1998 Actual	FY 1999 Target	FY 1999 Actual
<b>Annual number of acres of cropland on which conservation management systems have been completed (in millions).</b>	n/a	6,000	8,680
<b>Annual number of acres of grazing land on which conservation management systems have been completed (in millions).</b>	n/a	5,800	7,900

“Resource management systems completed” is a measure of achievement of an identified level of protection to a combination of conservation practices and management that, when implemented, prevents resource degradation and permits sustained use of cropland and grazing lands. Although the FY 1999 data suggest that a substantial part of the cropland acres reported are associated with the CRP, it also underestimated the degree to which the progress on grazing lands would be accelerated by the focus of the Environmental Quality Incentives Program on livestock operations.

**Conservation Reserve Program.** FSA’s CRP is the Federal government’s largest single environmental program. It safeguards millions of acres of American topsoil from erosion, increases wildlife habitat, and protects ground and surface water. CRP participants sign 10-15 year contracts with CCC under which eligible land is retired from production for the duration of the contract period and permanent vegetative cover is established on enrolled land. In return, CCC provides participants annual rental payments and cost-sharing assistance on long-term resource conserving cover and arranges for technical assistance in cooperation with NRCS, FS, and the U.S. Fish and Wildlife Service. In FY 1999, CRP payments totaling \$1.3 billion were issued. FSA also administers the Conservation Reserve Enhancement Program (CREP), a refinement of CRP that provides the opportunity to combine Federal and State resources to target significant national and State water quality, soil erosion, and wildlife habitat issues related to agricultural use.

	FY 1998 Actual	FY 1999 Target	FY 1999 Actual
<b>Cumulative number of acres enrolled per year in the CRP (in millions).</b>	30.2	31.1	31.5
<b>Cumulative acres of highly erodible land retired through the CRP (in millions).</b>	23.2	23.1	23.0
<b>Cumulative acres of riparian buffers and filter strips enrolled in the CRP (in millions).</b>	0.8	2.4	1.0
<b>Cumulative acres of wetlands enrolled in the CRP (in millions).</b>	1.3	1.4	1.4
<b>Cumulative acres of permanent wildlife habitat established through the CRP (in millions).</b>	3.4	3.8	3.8
<b>States with approved CREP agreements.</b>	4	15	8

The 18<sup>th</sup> CRP signup was held in FY 1999, and over 60,000 offers totaling 5.0 million acres were accepted. This acceptance included 3.2 million acres of highly erodible land, 2.8 million acres of land within conservation priority areas, 456,000 acres of wetlands and protective upland areas, and 216,000 acres of rare and declining habitats to be restored. In addition, a new National Conservation Priority Area was added for signup 18 in nine

Southeastern States to encourage habitat restoration for over 30 threatened and endangered species.

In addition to the 18<sup>th</sup> CRP signup, four CREP Federal-State partnerships were created in FY 1999, bringing the total number of CREP agreements to eight, with several others pending. CREP agreements established in FY 1999 include

Oregon, Washington, Delaware, and North Carolina. These programs are designed to restore environmentally sensitive land, protect endangered species habitat, and improve water quality.

**Other Activities.** Several other USDA agencies contribute to the sensible management of our natural resources. ARS and CSREES provide research and education assistance to support the Department's conservation goals. The FS is the largest land manager in the Federal Government with responsibility for about 192 million acres of public land. APHIS administers a number of programs that protect natural resources, livestock and the overall health of American agriculture. In addition, NASS provides data and ERS provides economic and other analyses on natural resource issues.

APHIS' Wildlife Services program is responsible for protecting agricultural resources, natural resources, human health and safety, and property from damage and threats posed by wildlife - a conflicting mission considering that wildlife itself is a resource valued by the American public. Thus, APHIS has invested resources to create the National Wildlife Research Center - the only facility in the world dedicated to resolving conflicts between wildlife and man. Approximately 80% of its research funding is dedicated to the development and testing of new, non-lethal control methods for controlling wildlife damage.

APHIS' Wildlife Services program is involved in a variety of programs and projects aimed at managing and reducing conflicts between wildlife and humans. It places a high priority on protecting human health and safety. The program has helped achieve significant reductions in risk for the American public. Two examples include:

- In FY1999, at airports where Wildlife Services was conducting operational projects to help control the risk of wildlife striking aircraft, they achieved a 75% reduction in risk for 63% of these airport projects, thus ensuring the safety of the American flying public.
- The Wildlife Services program was also very successful in reducing disease risk to the American public, through its involvement in the Texas Oral Vaccination Program (ORV) which was successful in achieving a 95% reduction in the number of cases of canine rabies in vaccinated areas of Texas (since the program began in 1995). Currently, the Wildlife Services program is taking a leadership role in coordinating policies and goals to assist Canada and several states in the Northeast and Midwest in establishing, through an ORV program, a barrier for raccoon rabies.

### **3.2: Promote sustainable management of public lands; protect and restore critical forest land, rangeland, wilderness and aquatic ecosystems.**

USDA manages approximately 192 million acres of public lands, an area slightly larger than the State of Texas, located in 44 States, Puerto Rico and the Virgin Islands. These lands are known collectively as the National Forest System. The two primary objectives in this Departmental subgoal are to ensure sustainable ecosystems and to provide multiple benefits for people. At the direction of the Secretary of Agriculture, the Forest Service developed and announced on March 2, 1998, a clear, broad-based Natural Resource Agenda for the 21<sup>st</sup> Century that is built on a foundation of science and is sensitive to the needs of local communities. The immediate priority is to focus on maintaining and restoring the health of the land. The Natural Resource Agenda has four emphasis areas: watershed health and restoration, sustainable forest ecosystem management, forest roads, and recreation. For 2000, the agenda is being used to establish spending, legislative, and regulatory priorities.

**Watershed health and restoration.** The FS will restore and protect aquatic, forest land, and range land

ecosystems to maintain a variety of ecological conditions and benefits and to conserve biological diversity. Field estimates show that 29% of National Forest System watersheds are in good condition, with 71% at risk or needing improvements. Within these watersheds, FS efforts to restore and enhance streams and lakes improve habitat for inland and anadromous fish as well as for numerous threatened, endangered, and sensitive species. Efforts to reduce accumulated hazardous fuels through prescribed fire and other methods reduce the risk of large, highly destructive wildfires that could adversely affect watersheds by increasing erosion, runoff, and sedimentation. Reforestation projects improve timber stands, reduce erosion, and provide essential habitat for a number of key species.

	<b>FY 1998 Actual</b>	<b>FY 1999 Target</b>	<b>FY 1999 Actual</b>
<b>Streams and lakes restored or enhanced for fish habitat:</b>			
<b>Stream miles.</b>	<b>1,600</b>	<b>1,837</b>	<b>1,879</b>
<b>Lake acres.</b>	<b>9,538</b>	<b>13,091</b>	<b>16,301</b>
<b>Hazardous fuels reduction (in thousands of acres).</b>	<b>1,489</b>	<b>1,380</b>	<b>1,412</b>
<b>Land reforested (in thousands of acres).</b>	<b>288</b>	<b>269</b>	<b>267</b>

**Sustainable Forest Management.** To attain sustainable forest management on all of America's woodlands, it is necessary to do a better job of inventorying and monitoring of forest conditions across all ownerships to improve technology transfer, and to cooperate with private nonindustrial landowners in sound stewardship practices. Two-thirds of all forested lands are privately owned. The FS plays a vital role in promoting stewardship practices to private owners in cooperation with state and local governments. The FS conducts inventory, monitoring and research activities and provides technical and financial support to private nonindustrial woodland owners in support of sustainable forest management. It also assists localities to establish, maintain, or expand urban and community forest and related open spaces that serve to support viable communities and neighborhoods. In addition, under the Lands Legacy initiative, the agency provides assistance to States in acquiring easements on private lands to protect critical forest lands threatened with development.

	<b>FY 1998 Actual</b>	<b>FY 1999 Target</b>	<b>FY 1999 Actual</b>
<b>Forest health surveys and evaluations, Federal and Cooperative lands (in millions of acres).</b>	<b>788</b>	<b>772</b>	<b>788</b>

**Roads.** The FS transportation infrastructure of roads and bridges has received considerable attention from the Congress, GAO, the Department's OIG, and from OMB. Road construction has consistently been one of the most contentious issues in the management of the national forests over the last two decades. This involves both the entry into areas without roads and the environmental degradation, such as soil erosion and landslides, which is sometimes associated with poorly constructed roads. The FS will work to meet public access needs in an ecologically sensitive manner by putting greater emphasis on maintenance and reconstruction rather than on new road construction. In addition, roads no longer needed for national forest management and unclassified or unauthorized roads will be decommissioned, where appropriate, after seeking public involvement in those decisions that affect public access.

	<b>FY 1998 Actual</b>	<b>FY 1999 Target</b>	<b>FY 1999 Actual</b>
<b>Percent of roads maintained to standard.</b>	<b>16%</b>	<b>18%</b>	<b>26%</b>
<b>Investments in existing roads (in miles).</b>	<b>2,732</b>	<b>2,774</b>	<b>3,558</b>
<b>Roads decommissioned (in miles).</b>	<b>2,099</b>	<b>3,000</b>	<b>2,907</b>

The current indicator for system roads maintained to standard does not validly capture road conditions due to differences in how road standards are interpreted. Consequently, a new indicator will be adopted in FY 2000 that uses a condition rating index system. The new rating system should reduce subjective ambiguity in how roads are rated and therefore provide a more reliable indicator for the condition of National Forest System roads.

**Recreation.** The national forests are the largest single supplier of public outdoor recreation in the Nation. The FS accomplishes its recreation mission through the operation and maintenance of a wide array of developed recreation facilities and dispersed recreation opportunities; the administration of recreation special uses; recreation trails; the management of Congressionally designated recreation areas, wilderness areas and wild and scenic rivers; and through other programs such as fish and wildlife conservation. The FS maintains and, where possible, improves opportunities for public enjoyment of outdoor recreation on the national forests. In recognition of the difficulty of obtaining the appropriations necessary to address the large backlog of recreation facility maintenance and reconstruction needs, the agency is making greater use of concessionaires and is participating in a recreation fee demonstration project that allows fees to be used for on-site recreation maintenance and improvements.

	FY 1998 Actual	FY 1999 Target	FY 1999 Actual
<b>Seasonal capacity available (million persons-at-one-time days).</b>	<b>201</b>	<b>185</b>	<b>203</b>
<b>Trails reconstructed to standard (in miles).</b>	<b>2,150</b>	<b>1,537</b>	<b>1,749</b>
<b>Recreation special uses administered (permits).</b>	<b>23,000</b>	<b>22,633</b>	<b>23,792</b>

The FS exceeded targets for the three measures shown here. Seasonal capacity in the National Forest System will accommodate over 200 million persons at one time. Both trail reconstruction and recreation special uses were above target by 14 percent and 5 percent, respectively. The agency is working to improved its recreation performance indicators through a program called Meaningful Measures. This will capture both qualitative and quantitative aspects of the public's recreation experiences on the national forest.

**Commodities.** Historically, the FS has been an important provider of commodities such as timber, forage, minerals, and water. That role continues, but with an enhanced emphasis on keeping commodity production within the capabilities of ecosystems. In FY 1999, FS provided a sustainable supply of forest products from the National Forest System lands by offering 437 million cubic feet of timber.

## MANAGEMENT INITIATIVES

### PROVIDE EFFECTIVE CUSTOMER SERVICE AND EFFICIENT PROGRAM DELIVERY

An overarching principle of USDA operations is good management of resources – human, capital information, and other resources. The public demands that Government operate fairly, effectively, and efficiently, and as resources become more constrained, USDA must seek opportunities to reengineer our service delivery capabilities, improve data systems and processes, provide better program management information, improve communications with the public, and eliminate inefficiencies in our general operations. It is critical that the Department makes improvements in management areas to provide support for achieving USDA's program goals.

The four management initiatives detailed on the following pages are the Department's highest priority management activities. In addition to these, a broad range of management initiatives, including those advocated by the National Performance Review such as procurement reform, are currently underway throughout the Department.

#### **MANAGEMENT INITIATIVE 1: Ensure that all customers and employees are treated fairly and equitably, with dignity and respect.**

**Customer Service.** In FY 1998, the Administration, through the National Performance Review, launched an effort with 32 Federal agencies to increase their focus on customers and achieve results that matter to Americans. Four USDA agencies were selected: FS, FNS, FSIS, and APHIS. These "High Impact" agencies were selected because they have a direct impact on the public, and each agency set FY 2000 performance goals to improve the services they provide. Each of these agencies participated in a customer satisfaction survey during FY 1999 and posted scores that were comparable to many public- and private-sector organizations. For example, the Special Supplemental Nutrition Program for Women, Infants, and Children scored second highest among the 30 high impact government programs participating in the survey and exceeded the average satisfaction rating of the private-sector organizations participating in the survey.

**Civil Rights.** This is one of the Secretary's highest priorities and a Civil Rights Policy has been established which requires all employees of USDA to treat co-workers and customers fairly and equitably, with dignity and respect. There are no exceptions and no excuses. Like American society as a whole, USDA has struggled over the years to reconcile more than a century of racial differences. But, in FY1999, we began to turn the corner. USDA has settled complaints and lawsuits on past discrimination and has worked hard to overhaul agency culture. USDA is continuing to correct past weaknesses and ensure that customers and employees are treated fairly and equitably, with dignity and respect. For example:

- **Accountability.** All agency heads were evaluated on civil rights performance during FY 1999, and there was improved performance in all but two agencies. There were 60 disciplinary actions, including removal, taken against employees for discrimination or misconduct related to civil rights. USDA is also resolving backlogs of program and employment discrimination complaints. USDA began FY 1999 with a backlog of 1,088 program complaints. All except 29 have been resolved, and new procedures are in place to resolve complaints more quickly. The number of EEO complaints filed during FY 1999 remained near the FY 1998 level. However, new procedures have recently been put in place to resolve these complaints faster.
- **Alternative Dispute Resolution.** Starting with the creation of the Conflict Prevention and Resolution Center in October 1998, USDA made significant strides in FY 1999 in promoting more effective conflict resolution practices for workplace and programmatic disputes. In December, Secretary Glickman issued a policy requiring agency heads to ensure that managers and supervisors are trained in conflict management skills, and that all their employees have access to alternative dispute resolution services.

**Outreach.** Ensuring that all eligible customers have access to USDA programs and services are vital to the

continued success of this Department. In particular, it is a concern that many small and socially disadvantaged farmers have a difficult time participating in USDA programs because they do not have enough information. In an effort to remedy these problems, the Department has a number of initiatives underway to increase the opportunity for the historically underserved community to participate in USDA programs.

The USDA Small Farmer Outreach Training and Technical Assistance Program, also called the 2501 Program, funds training and technical assistance to small and limited-resource farmers and ranchers on USDA Programs. During FY 1999, 26 projects received \$3 million in grant assistance. Starting in 1994 through 1999, the 2501 Program provided more than \$23 million to finance training and technical assistance efforts. Approximately 9,000 borrowers and more than 107,000 families have been reached through this program.

In addition to the Office's activities, outreach plans have been developed and outreach activity is being conducted across USDA. Educational and technical assistance services and informational material are available to all customers in languages appropriate to the community being served, and USDA agencies are using appropriate media outlets to distribute information to underserved communities. Examples of progress include the following:

- Between 1995 and 1999, FSA increased its lending to Native Americans by 175 percent, making 544 direct loans last year (up from 308 in 1995), totaling over \$29 million (up from \$11 million in 1995), a 265-percent increase in direct lending. FSA increased overall socially disadvantaged lending by 44 percent last year, from \$186,704,000 in 1998 to \$269,284,000 in 1999.
- In 1999, FNS implemented a public education campaign, using materials in English and Spanish, that targets the working poor, immigrants, and the elderly to increase awareness of potential food stamp eligibility. A toll-free hotline in English and Spanish helps people learn about program requirements and benefits.
- FS released a draft strategic public outreach plan in 1999 to provide new opportunities for all Americans, including the underserved, to participate in natural resource management activities and benefit from agency programs and services. For example, the plan states that ecosystem-based activities will increasingly reflect the priorities of underserved populations.

**MANAGEMENT INITIATIVE 2: Improve customer service by streamlining and restructuring county offices.**

A key objective of this Administration is to reengineer the Department's operations in a way that improves customer service and saves taxpayers' money. The cornerstone of USDA's reorganization and modernization effort is our Service Center Initiative, which seeks to streamline and collocate our county-based agencies into one-stop USDA service centers. The collocation effort was nearly completed in FY 1999 and will reduce the number of field office locations from over 3,700 to 2,679. In FY1999, LAN/WAN/VOICE systems were rapidly installed at the service centers, and as a result, nearly all of these offices now have a common telecommunications network that provides efficient e-mail, records transfer, and voice communications to support our customers. We are currently in the midst of a critical component of this initiative, the implementation of a common computing environment for the Service Centers that will optimize information sharing among agencies and improve the timeliness, efficiency, and quality of service. The Secretary is also seeking support from Congress to combine the administrative and information technology functions of the Service Center agencies to reduce duplication and better support our customers. By streamlining our office structure, reengineering our business practices, modernizing our technology, and reforming administrative processes, we will provide the seamless, timely, and respectful service that all of our customers expect and deserve. Details on the performance goals and accomplishments of the Service Center Modernization Initiative can be found in Service Center Modernization Plan of the County-Based Agencies and the Service Center Modernization Initiatives annual performance plan and report.

### **MANAGEMENT INITIATIVE 3: Create a unified system of information technology management.**

Providing information and productivity-enhancing technology tools to support the diverse and complex set of farm, food, conservation, rural development, forestry, and research programs USDA operates is a major challenge. The Office of the Chief Information Officer (OCIO) provides policy guidance, leadership, coordination and oversight for the Department's information technology management and technology investment activities to support the efficient delivery of USDA programs. In conjunction with OCIO, all USDA agencies are actively involved in improvements to the Department's management of information technology (IT).

**Y2K Compliance.** During FY 1999, one of the most important challenges facing USDA was to effectively respond to the issue of Year 2000 (Y2K) remediation. Supplemental funding was provided to OCIO in FY 1999 to support an aggressive program of remediation activities to address Y2K computer and embedded chip problems in the Department. The three phases of the Year 2000 were 1) awareness phase, 2) assessment phase, and 3) implementation phase. USDA moved into the new millennium meeting all three phases with all 344 mission critical systems meeting compliance. Additionally, all 366 non-mission critical systems were compliant before January 1, 2000.

**USDA's IT Architecture.** A rapidly changing environment demands constant attention to meeting business information needs. USDA is dedicated to improving information technology management, including the implementation of a Department-wide information technology architecture to ensure that business objectives drive investments, and establishing mechanisms to ensure that those investments are properly managed. During FY 1999, USDA followed the National Institute of Standards and Technology model in developing the information technology architecture. Compliance for the technology portion is approaching 100 percent while implementation of the remaining four layers of the architecture is progressing.

**Information Technology Security.** Protection of information assets and maintaining the availability, integrity, and confidentiality of USDA IT systems and telecommunications resources are vital to meeting USDA's program delivery requirements. Networks and IT resources are becoming increasingly vulnerable to illegal and malicious penetration by internal and external sources. In FY 1999, the OCIO improved security in the following areas: provided access control to the new data warehouse mainframe; improved physical security by adding new cameras; implemented regular scanning of certain sensitive systems, and installed all security patches; implemented the Incidence Response Program; planned and completed procurement to begin Virtual Private Network encryption pilot project; and implemented access control in two Web Logical Partitions.

### **MANAGEMENT INITIATIVE 4: Improved financial management and reporting.**

Two major financial management challenges facing USDA are the need for (1) an integrated financial management system and (2) a "clean" or unqualified opinion on our financial statements. Having an integrated financial management system is critical for providing useful, consistent, timely, reliable, and accurate information about the Department's finances. USDA is making significant progress in implementing such a system Department-wide.

- Since the beginning of FY 1998, we have brought a number of USDA agencies—representing nearly half of our workforce—onto a new Foundation Financial Information System. Under the leadership of a new project team, implementation of this system has progressed so well that efforts have been accelerated. By the beginning of FY 2001, 80 percent of USDA's workforce will be served by a single integrated administrative accounting system that is compliant with laws and regulations.

An integrated financial system will enable us to produce reliable financial statements. Getting an unqualified audit opinion on those statements assures everyone—policymakers, managers, the Congress, our customers, and taxpayers—that our financial management practices produce credible information that complies with laws and regulations. USDA has also made important progress in developing reliable financial statements.

- USDA met the March 1, 1999 deadline for submitting its FY 1998 consolidated financial statements to OMB.
- Of the six USDA agencies subject to audit in FY 1999 for their FY 1998 financial statements, three -- the Rural Telephone Bank, the Federal Crop Insurance Corporation, and the Food and Nutrition Service -- received unqualified audit opinions. Food and Nutrition Service's unqualified opinion represents significant progress because this agency distributes \$60 billion in food stamp funding to all 50 States and the District of Columbia. The unqualified opinion significantly enhanced the credibility of a program that affects all State and Municipal Governments. We remain committed to getting an unqualified audit opinion on our consolidated financial statements.

USDA has also made significant strides in improving our ability to collect debts. USDA is the largest lending agency in the federal government and many of our loan programs are designed to assist rural residents or businesses who would likely be unable to obtain credit anywhere else. Despite this, on average, only 6 percent of the amounts due to USDA in a year are delinquent. That rate is much lower than the average governmentwide rate of 22 percent. We are working with our customers and using a variety of debt collection tools to make sure that the debts owed USDA are collected in a fair and efficient manner. As a result:

- Delinquent debt collections in FY 1999 were up 30 percent over FY 1998 and 90 percent over FY 1997; and
- Total delinquent debt has dropped 15 percent since FY 1997, from \$7.5 billion in delinquencies in FY 1997 to \$6.4 billion in FY 1999.

The Annual Program Performance Report embodies what we are about at USDA and our accomplishments. Attached are the details of each agency's accomplishments for FY 1999.