

2012 Explanatory Notes
Risk Management Agency

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RISK MANAGEMENT AGENCY

Purpose Statement

The Risk Management Agency (RMA) was established under provisions of the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act), P.L. 104-127, approved April 4, 1996. This Act required that the Secretary establish within the Department an independent office responsible for supervision of the Federal Crop Insurance Corporation (FCIC), administration and oversight of programs authorized under the Federal Crop Insurance Act (7 U.S.C. 1501 *et seq.*), including delivery of program services through local offices of the Department, any pilot or other programs involving revenue insurance, risk management savings accounts, or the use of the futures market to manage risk and support farm income that may be established under the Federal Crop Insurance Act, as amended, or other law, and such other programs as the Secretary considers appropriate.

Over the past six decades, Federal crop insurance has been the primary product provided by the FCIC/RMA and consists of various alternatives designed to improve the economic stability of agriculture. Recent legislative mandates have prompted significant program growth and the development of many large and complex new programs. RMA continuously strives to provide adequate risk protection for our Nation's agricultural producers and tries to identify and address concerns about Federal crop insurance.

RMA continues to evaluate risk management products, review and approve private sector products to be reinsured by FCIC, and ensure delivery of these products to agricultural producers. Risk management products can help producers protect themselves from yield risks, market risks, or both. Examples of more recent, new and innovative insurance tools are revenue insurance, forage, rangeland, specialty crops, and livestock pilots. Education, outreach, and non-insurance risk management assistance initiatives and tools further contribute to the producers' ability to protect their financial stability. Through the effective use of these tools, agricultural producers will have available a cost-effective means of managing their risk so that they are self-sustaining, repopulating, and economically thriving.

RMA estimates 568 FTEs for fiscal year (FY) 2011 and has staff at the Headquarters office in Washington, D.C., the National office in Kansas City, MO, 10 Regional Offices (ROs), and six Regional Compliance Offices (RCOs). As of September 30, 2010, RMA had 508 staff years with employees on board located throughout the Nation as follows: 83 at Headquarters in Washington, D.C., 187 at the National Office in Kansas City, MO, 160 in RO field offices, and 78 in RCO field offices.

Major RMA functional areas include: Office of the Administrator (OA): OA consists of the following staff offices: Civil Right and Community Outreach, External Affairs, Office of the Chief Financial Officer, Office of the Chief Information Officer, and Program Support. Product Management (PM): PM consists of the following: Deputy Administrator's staff, Product Analysis and Accounting Division, Product Administration and Standards Division, and Actuarial and Product Design Division. Insurance Services (IS): IS consists of the following: Deputy Administrator's staff, Reinsurance Services Division, Risk Management Education Division, Risk Management Services Division, and 10 ROs located in the following cities: Billings, Montana; Jackson, Mississippi; Oklahoma City, Oklahoma; Raleigh, North Carolina; Davis, California; St. Paul, Minnesota; Spokane, Washington; Springfield, Illinois; Topeka, Kansas; and Valdosta, Georgia. Compliance: Compliance consists of the following: Deputy Administrator's staff (including six criminal investigators operating quasi-independently from locations around the country), Insurance Operations Division, Policy, Procedures and Evaluation Division, Appeals, Litigation and Legal Liaison Staff, and six RCOs offices at the following locations: Dallas, Texas; Indianapolis, Indiana; Kansas City, Missouri; Raleigh, North Carolina; Davis, California; and St. Paul, Minnesota.

Office of Inspector General (OIG)/Government Accountability Office (GAO) Reports:

The following tables provide a list of RMA audits completed and in progress during FY 2010.

OIG/GAO AUDITS COMPLETED IN FISCAL YEAR 2010		
REPORT TITLE	IDENTIFYING NUMBER	DATE ISSUED
RMA Activities to Renegotiate the Standard Reinsurance Agreement: The objective of this audit was to monitor activities to renegotiate the Standard Reinsurance Agreement.	05601-5-KC	8/27/10
Pasture, Rangeland, and Forage Pilot Program: The objectives of this audit were to determine whether RMA effectively implemented the PRF Pilot Program and the adequacy of RMA's controls in the PRF Pilot Program to minimize program losses and to ensure program integrity, including preventing producers from receiving improper indemnity payments for acres enrolled in FSA and NRCS programs.	50601-18-TE	8/27/10
Group Risk Crop Insurance: The objective of this audit was to evaluate the adequacy of the management controls over the group risk and group risk income protection plans to ensure that they are effectively administered and actuarially sound.	05601-14-TE	3/30/10
Hurricane Indemnity Program – Integrity and Reliability of Data Provided by RMA: The objective of this audit was to evaluate the adequacy of RMA's management controls over changes in data provided to FSA for use in its HIP and FSA's controls to ensure proper payments and any collection of overpayments resulting from these changes.	50601-15-AT	3/31/10
FCIC/RMA Financial Statements for Fiscal Years 2009 and 2008: The objective of this audit was to present the auditors' opinion on the Risk Management Agency and Federal Crop Insurance Corporation principal financial statements for the fiscal years ended September 30, 2009, and 2008.	05401-18-FM	11/06/09

OIG/GAO AUDITS IN PROGRESS DURING FISCAL YEAR 2010		
REPORT TITLE	IDENTIFYING NUMBER	START DATE
Federal Crop Insurance Program – Organic Crops: The objectives of this audit are to identify and assess: (1) RMA's and AIPs' controls over underwriting and servicing policies, and adjusting claims for organically insured crops to ensure the propriety and accuracy of premiums and indemnity payments, (2) RMA's and AIPs' controls over determining whether underwriting information supplied to RMA by AIP's and their agents was accurate, and (3) RMA's and AIPs' controls over whether insured producers followed "good organic farming practices."	05601-6-KC	9/03/10
FCIC/RMA Financial Statements for Fiscal Years 2010 and 2009: The objective of this audit is to present the auditors' opinion on the Risk Management Agency and Federal Crop Insurance Corporation principal financial statements for the fiscal years ended September 30, 2010, and 2009.	05401-19-FM	3/12/10
Validity of New Producer Designations: The objectives of this audit are to assess the effectiveness of RMA and AIP controls for granting "new producer" designations and ensuring the propriety of actual production history yield determination for these insureds and conduct data analysis and field visits to review relevant documentation maintained by the AIPs and Farm Service Agency county offices to determine whether any "new producer" status designations were improperly awarded.	05099-114-KC	1/05/09
Citrus Crop Indemnity Payments Resulting from Hurricane Wilma in Florida: The objectives of this audit are to assess the impact of RMA's emergency loss adjustment procedures for citrus fruit claims; RMA's oversight of the approved insurance providers' (AIP) underwriting of 2006 citrus crop insurance policies; RMA's oversight of the AIP's processing of loss adjustments and citrus indemnity claims for Hurricane Wilma damaged citrus crops; whether citrus producers provided the same acreage information to RMA that was provided to the Farm Service Agency (FSA); and whether citrus producers receiving RMA indemnity payments also received Animal and Plant Health Inspection Service's 2006 citrus canker payments.	05099-29-AT	10/27/08
RMA's Implementation of the Approved Insurance Providers' Appendix IV/Quality Control Reviews: The objective of this audit is to assess the effectiveness of RMA's oversight activities over the AIP's quality control reviews and of the AIPs implemented quality control review processes, as prescribed by the SRA, in preventing or detecting program abuse, waste, and improper payments.	05016-1-KC	10/17/07

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Available Funds and Staff Years
FY 2010 Actual and Estimated FY 2011 and FY 2012

Item	2010		2011		2012	
	Actual	Staff	Estimated	Staff	Estimated	Staff
	Amount	Years	Amount	Years	Amount	Years
<u>Administrative & Operating (A&O) Expenses</u>						
A&O Expense Appropriation.....	\$79,990,592	501	\$80,325,000	568	\$82,325,000	568
Transfer from Congressional Relations.....	50,000	0	0	0	0	0
Lapsing balances.....	334,408	0	0	0	0	0
Total, A&O Expenses.....	80,375,000	501	80,325,000	568	82,325,000	568
<u>Federal Crop Insurance Corporation (FCIC) Fund</u>						
Premium Subsidy.....	4,089,810,596	0	4,600,900,000	0	3,082,875,000	0
Delivery Expenses.....	1,567,145,000	0	1,325,000,000	0	0	0
Underwriting Gains.....	1,167,759,000	0	999,496,000	0	0	0
Federal Crop Insurance Act Initiatives.....	74,500,000	0	68,500,000	0	59,500,000	0
Other Authority Withdrawn	-2,352,095,764	0	0	0	0	0
Total, FCIC Fund	4,547,118,832	0	6,993,896,000	0	3,142,375,000 *	0
Total, Risk Management Agency.....	4,627,493,832	501	7,074,221,000	568	3,224,700,000	568

* Timing shifts associated with The Food, Conservation, and Energy Act of 2008 (Farm Bill) significantly effect FCIC funding requirements in FY 2012.

RISK MANAGEMENT AGENCY

Permanent Positions by Grade and Staff Year Summary
2010 Actual and Estimated 2011 and 2012

Grade	2010			2011			2012		
	Wash.			Wash.			Wash.		
	DC	Field	Total	DC	Field	Total	DC	Field	Total
Senior Executive Service	4	1	5	4	1	5	4	1	5
Senior-Level	0	2	2	0	2	2	0	2	2
GS-15	11	4	15	11	4	15	11	4	15
GS-14	10	37	47	10	37	47	10	37	47
GS-13	29	149	178	29	155	184	29	155	184
GS-12	13	128	141	15	154	169	15	154	169
GS-11	1	30	31	1	33	34	1	33	34
GS-10	1	0	1	1	0	1	1	0	1
GS-9	2	15	17	2	28	30	2	28	30
GS-8	4	7	11	4	7	11	4	7	11
GS-7	5	21	26	5	28	33	5	28	33
GS-6	1	15	16	1	21	22	1	21	22
GS-5	2	9	11	2	9	11	2	9	11
GS-4	0	0	0	1	3	4	1	3	4
Other Graded Positions.....	0	0	0	0	0	0	0	0	0
Ungraded Positions.....	0	0	0	0	0	0	0	0	0
Total Permanent Positions.....	83	418	501	86	482	568	86	482	568
Unfilled Positions end-of-year.....	3	64	67	0	0	0	0	0	0
Total, Permanent Full-Time Employment, end-of-year.....	86	482	568	86	482	568	86	482	568
Staff Year Estimate.....	86	482	568	86	482	568	86	482	568

Size, Composition, and Annual Cost
(in thousands of dollars)

Fiscal Year	Number of Vehicles by Type*							Total Number of Vehicles	Annual Operating Cost (\$ in thous)
	Sedans and Station Wagons	Light Trucks, SUVs and Vans		Medium Duty Vehicles	Ambulances	Buses	Heavy Duty Vehicles		
		4X2	4X4						
FY 2009	1	0	2	2	0	0	0	5	\$32
Change from 2009	0	0	0	0	0	0	0	0	+6
FY 2010	1	0	2	2	0	0	0	5	\$38
Change from 2010	0	0	0	0	0	0	0	0	+1
FY 2011	1	0	2	2	0	0	0	5	\$39
Change from 2011	0	0	0	0	0	0	0	0	+1
FY 2012	1	0	2	2	0	0	0	5	\$40

NOTES:

*All of the vehicles listed are leased from the General Services Administration (GSA). These vehicles are assigned in the RMA field structure of the Regional and Compliance Field Offices. Each Regional and Compliance office is assigned a geographical area within the United States to perform monitoring and oversight of the crop insurance program. These vehicles are used to perform site visits of crops and/or inspections of crop losses. Also, they are used to attend conferences and meetings related to the Agency's mission. Since these vehicles are leased from GSA, RMA relies upon GSA to supply the Agency with alternative-fueled vehicles as required by law.

RISK MANAGEMENT AGENCY

The estimates include appropriation language for this item as follows:

Administrative and Operating Expenses:

For necessary expenses of the Risk Management Agency, \$82,235,000: *Provided*, That the funds made available under section 522(e) of the Federal Crop Insurance Act (7 U.S.C. 1522(e)) may be used for the Common Information Management System: *Provided further*, That not to exceed \$1,000 shall be available for official reception and representation expenses, as authorized by 7 U.S.C. 1506(i).

RISK MANAGEMENT AGENCY

LEAD-OFF TABULAR STATEMENT

ADMINISTRATIVE AND OPERATING EXPENSES

Annualized Continuing Resolution, 2011.....	\$80,325,000
Budget Estimate, 2012.....	<u>82,325,000</u>
Increase in Appropriation.....	+ <u>2,000,000</u>

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

<u>Item of Change</u>	2011 Estimated	Pay Costs	Program Changes	2012 Estimated
Administrative and Operating Expenses, Available.....	<u>\$80,325,000</u>	0	\$2,000,000	<u>\$82,325,000</u>
Total Available.....	<u>80,325,000</u>	0	2,000,000	<u>82,325,000</u>

Project Statement

(On basis of appropriation)

	2010 Actual	:	Staff Amount	:	Years	:	2011 Estimated	:	Staff Amount	:	Years	:	Increase or Decrease	:	2012 Estimated	:	Staff Amount	:	Years
1. Administrative and Operating Expenses...	\$80,040,592	:	501	:	:	:	\$80,325,000	:	568	:	:	:	+	\$2,000,000	:	\$82,325,000	:	568	
Subtotal, Available or Estimate.....	80,040,592	:	501	:	:	:	80,325,000	:	568	:	:	:	0	:	82,325,000	:	568		
Unobligated Balance	334,408	:	0	:	:	:	0	:	0	:	:	:	0	:	0	:	0		
Total, Available or Estimate.....	<u>80,375,000</u>	:	501	:	:	:	<u>80,325,000</u>	:	568	:	:	:	0	:	<u>82,325,000</u>	:	568		
Transfer from Congressional Relations	-50,000	:	0	:	:	:	0	:	0	:	:	:	:	:	0	:	0		
Total, Appropriation.....	<u>80,325,000</u>	:	501	:	:	:	<u>80,325,000</u>	:	568	:	:	:	0	:	<u>82,325,000</u>	:	568		

RISK MANAGEMENT AGENCY

Justification of Increases and Decreases

(1) An increase of \$2,000,000 for administrative and operating costs and activities directed at achieving the RMA mission, goal, and objectives (\$80,325,000 available in FY 2011):

(a) An increase of \$2,000,000 to support RMA Information Technology (IT) initiatives:

This increase is requested to support RMA IT Investments. These initiatives directly support the Secretary's Goal to assist rural communities to create prosperity so they are self sustaining, repopulating and economically thriving. RMA intends to complete development of IT modernization in FY 2011 and fully implement the new system in FY 2012. A temporary increase for IT maintenance is needed for the legacy system to insure uninterrupted IT operations while the new system is implemented and becomes fully operational. This increase is needed to ensure that RMA is able to properly exchange data with private insurance partners, interface with industry companies and other government entities, confirm and assure optimal program performance, develop, deliver or monitor the risk management program.

RISK MANAGEMENT AGENCY
ADMINISTRATIVE AND OPERATING EXPENSES

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS

2010 Actual and Estimated 2011 and 2012

	2010		2011		2012	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California.....	\$5,067,518	32	\$5,091,021	36	\$5,091,021	36
District of Columbia.....	14,607,075	83	12,161,884	86	12,161,884	86
Georgia.....	2,543,357	16	2,686,928	19	2,686,928	19
Illinois.....	2,151,539	14	2,404,093	17	2,404,093	17
Indiana.....	2,090,212	14	2,404,093	17	2,404,093	17
Kansas.....	2,652,101	17	2,828,345	20	2,828,345	20
Minnesota.....	4,766,487	29	4,808,187	34	4,808,187	34
Mississippi.....	2,337,334	16	2,545,511	18	2,545,511	18
Missouri.....	29,144,566	187	30,404,710	215	32,404,710	215
Montana.....	2,529,583	16	2,545,511	18	2,545,511	18
North Carolina.....	4,806,275	31	4,949,604	35	4,949,604	35
Oklahoma.....	2,217,205	15	2,404,093	17	2,404,093	17
Texas.....	2,515,694	15	2,545,511	18	2,545,511	18
Virginia.....	174,198	1	141,417	1	141,417	1
Washington.....	2,437,448	15	2,404,093	17	2,404,093	17
						0
Subtotal, Available or Estimate....	80,040,592	501	80,325,000	568	82,325,000	568
Unobligated balance.....	334,408	0	0	0	0	0
Total, Available or Estimate.....	80,375,000	501	80,325,000	568	82,325,000	568

RISK MANAGEMENT AGENCY

Classification by Objects2010 Actual and Estimated 2011 and 2012

ADMINISTRATIVE & OPERATING EXPENSES:	<u>2010</u>	<u>2011</u>	<u>2012</u>
Personnel Compensation:			
Washington, D.C.	\$7,828,533	\$7,829,000	\$7,829,000
Field.....	36,943,198	36,943,000	36,943,000
11 Total Personnel Compensation.....	44,771,731	44,772,000	44,772,000
12 Personnel Benefits.....	11,410,395	11,411,000	11,411,000
13 Benefits for Former Personnel.....	10,387	10,000	10,000
Total Pers. Comp. and Benefits.....	56,192,513	56,193,000	56,193,000
Other Objects:			
21 Travel and transportation of persons.....	2,040,718	2,082,000	2,082,000
22 Transportation of things.....	92,981	95,000	95,000
23.2 Rental payments to others.....	303,244	309,000	309,000
23.3 Communications, utilities, misc. charges.....	1,062,170	1,083,000	1,083,000
24 Printing and reproduction.....	136,201	139,000	139,000
25.1 Advisory and assistance services.....	4,272,984	4,364,000	4,364,000
25.3 Purchase of good and services from Government Accounts.....	774,074	797,000	797,000
25.4 Operation and maintenance of facilities.....	294,224	330,000	330,000
25.6 Medical care	467	0	0
25.7 Operation and maintenance of equipment	14,504,469	14,517,000	16,517,000
26 Supplies and materials.....	239,250	244,000	244,000
31 Equipment.....	95,324	97,000	97,000
42 Litigation fees/settlement-EEO.....	24,107	65,000	65,000
43 Interest.....	7,866	10,000	10,000
Total other objects.....	23,848,079	24,132,000	26,132,000
Total direct A&O obligations.....	80,040,592	80,325,000	82,325,000
Position Data:			
Average Salary, ES Positions.....	\$156,181	\$156,181	\$156,181
Average Salary, GS Positions.....	\$86,512	\$86,512	\$86,512
Average Grade, GS Positions.....	11.8	11.8	11.8

RISK MANAGEMENT AGENCY
ADMINISTRATIVE AND OPERATING EXPENSES

STATUS OF PROGRAM

The primary responsibility of the Risk Management Agency (RMA) is to administer the Federal Crop Insurance Program in accordance with the 1938 Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) as amended. The Risk Management Agency was established in 1996 in the United States Department of Agriculture (USDA) to improve the economic stability of agriculture through a sound system of crop insurance and to provide the means for the research and experience that is helpful in devising and establishing such insurance. The mission of the agency is to promote, support, and regulate sound risk management solutions to strengthen and preserve the economic stability of America's agricultural producers. RMA has one strategic goal and four strategic objectives that directly support the achievement of USDA Strategic Goal 1: USDA will assist rural communities to create prosperity so they are self sustaining, repopulating and economically thriving.

Current Activities:

The Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) is composed of ten members, including agricultural producers, insurance and reinsurance experts, and senior USDA officials. This Board, either directly or through delegations to the Manager of the FCIC and Risk Management Agency (RMA), manages FCIC and the Federal Crop Insurance Fund. The Board receives, reviews, and approves policies and plans of insurance and other related materials for reinsurance, risk subsidy, and administrative and operating subsidy. The Board is authorized to reimburse outside entities for research, development, and maintenance costs. This provides an incentive for the development of new and innovative risk management products, to directly contract for the research and development of such products, and to fund crop insurance education programs. During FY 2010, the FCIC Board considered 42 action items during five Board meetings. The action items included 12 expert reviews, nine program modifications and 21 new program submissions. In FY 2010, pursuant to the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill), the Board received the first 508(h) submission for review that began as a concept proposal for new policies and plans for insurance under the procedures approved by the Board in 2009.

Office of the Administrator (OA) activities include all management and administrative support functions of the RMA. This includes coordinating FCIC Board Meetings and administrative support services to all locations of RMA including information technology and other services. OA is responsible for developing agency strategic plans and performance plans; planning, coordinating, testing, and implementing emergency programs, including contingency operations, pandemic influenza plans, coordination and response to homeland security efforts; and developing Information Resource Management plans and policies as required by the Information Technology Management Reform Act of 1996 (ITMRA) and other legislation.

OA directs the establishment of RMA plans and policies relative to obtaining public participation in the rule-making process, with coordination of regulatory review requirements. Other activities include: coordinating and publishing regulations; serving public requests for information under the provisions of the Freedom of Information Act and protecting personal identifiable information in accordance with the Privacy Act; formulating RMA public information policies and programs within the framework of USDA's public affairs policy; directing public information activities through news releases, audiovisual products, articles, and speeches; answering correspondence; and producing other public information on RMA activities and initiatives.

OA provides policy-making recommendations that impact the needs of agricultural producers, the crop insurance industry, insurance agents, and the FCIC. The office advises Congress regarding Administration policy positions and matters relating to constituent service issues. OA serves as the focal point for all financial management activities with overall responsibility for planning, organizing, and directing RMA fiscal functions including budget, accounting, financial reporting and other related functions. OA formulates, recommends, administers and evaluates the Civil Rights and Equal Employment Opportunity programs and information technology functions of RMA.

Product Management (PM) key functions include policy administration, establishment of underwriting and loss adjustment criteria, calculation, and maintenance of premium rates, and determination of price election. In addition, the program area enters into contracts for research, development, pilot testing, and evaluation of new crop insurance programs and contracts for plans of insurance and risk management strategies, especially for specialty crops and underserved commodities in underserved states and areas. In 2010, to further program goals, nine contracts for expansion of new crop insurance programs and risk management strategies were issued. These included development and evaluation projects to expand and improve the risk management opportunities for American producers. For instance, contracted research and development projects resulted in the development of new pilot crop insurance products for sesame produced in Texas and Oklahoma and lawn seed produced in Minnesota. Other products in development include pistachio nuts. Contracts are currently being solicited to research the feasibility of insuring a variety of aquaculture species.

Multi-year partnerships for developing non-insurance risk management tools to help growers mitigate various risks inherent to farming and raising livestock, to evaluate and make recommendations for improving existing risk management programs, and to coordinate support for specialty crop programs are ongoing. For example, RMA recently entered into two partnerships with other USDA agencies to enhance existing data collection processes for organic production and price information. Information regarding many of these partnership projects with private sector organizations, universities, and other USDA agencies are located on RMA's website at <http://www.rma.usda.gov>.

The PM function also includes accounting for RMA's program operation, financial analysis, and operations reviews of the insurance delivery system. They are responsible for developing federal regulations and establishing the crop insurance policies, premium rates, coverage provisions, transitional yield factors, and other appropriate insurance data for approximately 72,000 county-crop programs nationwide. The program area establishes reporting requirements for automated systems that receive and validate crop insurance sales, loss and acreage data from reinsured companies and other sources. The data is used for analysis, determination of rates, calculation, and payment of expense reimbursements and underwriting payments to reinsured companies, payment of claims, summaries of business and various other purposes. The Agency continues to review product proposals submitted under Section 508(h) and 522(b) of the Federal Crop Insurance Act.

Insurance Services activities include overseeing program delivery through reinsurance, underwriting and loss adjustment activities, and risk management education. Insurance Services develops and administers reinsurance agreements with private insurance providers; coordinates underwriting and loss adjustment activities, including appeals; and contributes to program development. In addition, a substantial risk management education program is carried out primarily through competitively selected partnership agreements.

The Agency provides guidance on emerging issues involving claims and underwriting, and ensures consistent application of actuarially sound insurance principles. Key responsibilities include overseeing the administration of the Standard Reinsurance Agreement (SRA), the contract between the private insurance providers and RMA and approving insurance providers, on an annual basis.

Insurance Services activities include working with public and private partners to train farmers and ranchers in using risk management tools and strategies. This activity focused on underserved states, specialty crop producers and grants through National Institute of Food and Agriculture (NIFA) and provided approximately \$7.5 million in Federal funds during fiscal year 2010. This effort provides farmers with information and with educational opportunities to become more aware of risk, know the tools available to manage risk, and learn strategies for making sound risk management decisions.

Compliance activities include ensuring that funds expended by RMA for operation and delivery of risk management programs are spent to achieve the intended purpose. RMA performs this mission by conducting reviews of programs and activities; maintaining liaison with external audit and investigative agencies; and reviewing the activities of reinsured companies and others involved in the delivery of programs. The Agency also performs a significant number of additional reviews based on Office of the Inspector General Hotline complaints, external audits and investigations, and complaints from other sources to gather evidence to support allegations of

non-compliance with laws, regulations, or agreements. RMA works closely with the Farm Service Agency (FSA) field offices in the detection and monitoring of suspected waste, fraud, and abuse by using data mining to target anomalous insurance payments to producers.

Efforts continue to concentrate on the mission-critical task of evaluating and improving processes to prevent and deter waste, fraud and abuse, as well as building and adapting reporting, tracking, and feedback systems. In 2009, RMA completed fieldwork on the fifth round of national program review of companies. The plan calls for review of approximately one third of the participating Approved Insurance Providers (AIPs) each year in order to derive a program error rate every three years.

Selected Examples of Recent Progress:

A Clean Audit Opinion was received by RMA for fiscal years 2009 and 2010 and reported to the Office of the Inspector General from independent auditors. This report contains an unqualified opinion on the financial statement as well as an assessment of RMA's internal controls over financial reporting and compliance with laws and regulations.

Federal Manager's Financial Integrity Act (FMFIA) compliance assures the effectiveness of operations, reliability of reporting, compliance with applicable laws, regulations and safeguarding assets. RMA has conducted its assessment of internal controls and financial systems pursuant to FMFIA. Based upon the results of this evaluation, RMA can provide reasonable assurance that the internal control over the effectiveness and efficiency of operations and compliance with laws and regulations, as of September 2010 was operating effectively with no material weaknesses found in the design or operation of the internal controls.

Improper Payment Rates reported in the 2010 Corrective Action Plan for the Federal crop insurance program were 6.05%. This 6.05% error rate represents the weighted average of indemnity errors identified in the 2006, 2007, and 2008 crop year policy samples and is down .03% from last year's action plan. RMA has determined that the difference in error rates between crop years is consistent with the normal error distribution expected over time. The strategy for identifying and controlling the error rate includes identifying error trends and policy concerns and correcting them; however, no underlying policy or underwriting issues have been identified in the random samples to date.

National Outreach Program initiatives were implemented to increase awareness and service to small and limited resource farmers and ranchers and other underserved groups and areas. Partnership agreements provided a venue for public and private agricultural organizations, land grant universities, community based organizations, farmers and ranchers and other stakeholders to identify, develop and promote successful risk management strategies that small and limited resource farmers and ranchers can utilize to remain economically viable in a rapidly changing agricultural environment. RMA partners with community-based organizations, 1862, 1890, 1994 land grant colleges and universities, and Hispanic Serving Institutions (HSIs) to provide technical program assistance and risk management education on strategies associated with legal, production, marketing, human resources, and labor risks. Projects for FY 2010 totaled more than \$5.6 million to provide outreach and assistance to women, small limited resource farmers and ranchers.

RISK MANAGEMENT AGENCY

The estimates include appropriation language for this item as follows:

Federal Crop Insurance Corporation Fund:

For payments as authorized by section 516 of the Federal Crop Insurance Act (7 U.S.C. 1516), such sums as may be necessary, to remain available until expended.

RISK MANAGEMENT AGENCY

LEAD-OFF TABULAR STATEMENTFEDERAL CROP INSURANCE CORPORATION FUND - CURRENT LAW

Annualized Continuing Resolution, 2011.....	\$6,993,896,000
Budget Estimate, 2012.....	3,142,375,000
Decrease in Appropriation.....	<u>-3,851,521,000</u>

FEDERAL CROP INSURANCE CORPORATION FUND - PROPOSED LEGISLATION

Budget Estimate, Current Law, 2012.....	\$3,142,375,000
Change due to Proposed Legislation.....	-160,800,000
Net Request, President's 2012 Budget Request.....	<u>2,981,575,000</u>

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW

(On basis of appropriation)

<u>Item of Change</u>	2011		Program	2012
	<u>Estimated</u>	<u>Pay Costs</u>	<u>Changes</u>	<u>Estimated</u>
Premium Subsidy.....	\$4,600,900,000	0	-\$1,518,025,000	\$3,082,875,000
Delivery Expenses.....	1,325,000,000	0	-1,325,000,000	0
Underwriting Gains.....	999,496,000	0	-999,496,000	0
Federal Crop Insurance Act Initiatives:....	<u>68,500,000</u>	<u>0</u>	<u>-9,000,000</u>	<u>59,500,000</u>
Total Available.....	<u>6,993,896,000</u>	<u>0</u>	<u>-3,851,521,000</u>	<u>3,142,375,000 *</u>

* Timing shifts associated with The Food, Conservation, and Energy Act of 2008 (Farm Bill) significantly affect FCIC funding requirements in FY 2012.

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Project Statement
(On basis of appropriation)

	2010 Actual	2011 Estimated	Increase or Decrease	2012 Estimated
Premium Subsidy.....	\$4,089,810,596	\$4,600,900,000	-\$1,518,025,000	\$3,082,875,000
Delivery Expenses.....	1,567,145,000	1,325,000,000	-1,325,000,000	0
Underwriting Gains.....	1,167,759,000	999,496,000	-999,496,000	0
Federal Crop Insurance Act Initiatives.....	74,500,000	68,500,000	-9,000,000	59,500,000
Other Authority Withdrawn.....	-2,352,095,764	0	0	0
Total Available or Estimate.....	<u>4,547,118,832</u>	<u>6,993,896,000</u>	<u>-3,851,521,000</u>	<u>3,142,375,000</u>

Project Statement
(On basis of available funds)

	2010 Actual	2011 Estimated	Increase or Decrease	2012 Estimated
1. Expenses:				
(a) Indemnities.....	\$3,117,521,262	\$7,586,744,000	\$2,377,361,000	\$9,964,105,000
(b) Delivery Expenses.....	1,371,195,084	1,325,000,000	-1,325,000,000	0
(c) Underwriting Gains/Losses.....	2,443,353,765	999,496,000	-999,496,000	0
(d) Federal Crop Insurance Act Initiatives:	53,046,133	68,500,000	-9,000,000	59,500,000
Total, Expenses.....	<u>6,990,116,244</u>	<u>9,979,740,000</u>	<u>43,865,000</u>	<u>10,023,605,000</u>
2. Funds Available from Revenue and prior year balances				
(a) Producer Premium.....	-\$2,384,803,008	-\$2,929,182,000	-\$3,894,649,000	-\$6,823,831,000
(b) Administrative Fees.....	-64,081,000	-56,662,000	-737,000	-57,399,000
(c) Unobligated Balance Brought Forward from Prior Year.....	-552,113,404	-558,000,000	0	-558,000,000
(d) Unobligated Balance Carried Forward to Next Year.....	558,000,000	558,000,000	0	558,000,000
Total, Funds from Revenue and Balances.....	<u>-2,442,997,412</u>	<u>-2,985,844,000</u>	<u>-3,895,386,000</u>	<u>-6,881,230,000</u>
3. Total, Available Funds.....	<u>4,547,118,832</u>	<u>6,993,896,000</u>	<u>-3,851,521,000</u>	<u>3,142,375,000</u>

Federal Crop Insurance Corporation

(1) A budget decrease of \$3,851,521,000 is estimated for the Federal Crop Insurance Corporation (FCIC) Fund, (\$6,993,896,000 available in 2011).

(a) A decrease of \$1,518,025,000 for premium subsidy.

The decrease in premium subsidy stems from policy changes as outlined in The Food, Conservation, and Energy Act of 2008 (Farm Bill) and the newly renegotiated Standard Reinsurance Agreement (SRA). The 2008 Farm Bill authorized FCIC to accelerate the collection of premium, thereby reducing the need for premium subsidy in this one year period.

(b) A decrease of \$1,325,000,000 for delivery expenses.

Delivery expenses are administrative and operating reimbursements provided to approved insurance providers. They cover the cost of distributing risk management services and products to American producers and are based on a percentage of estimated total premium. As a result of the 2008 Farm Bill, RMA will delay payment of delivery expenses until FY 2013. There is no budgetary requirement for delivery expenses in FY 2012.

(c) A decrease of \$999,496,000 for underwriting gains.

Underwriting gains are a reinsured company's share of net book premium that exceeds their share of net losses, or indemnities. The 2008 Farm Bill requires that RMA delay payment of underwriting gains until FY 2013. There is no budgetary requirement for underwriting gains in FY 2012.

(d) A decrease of \$9,000,000 in Federal Crop Insurance Act (FCIA) Initiatives.

The Federal Crop Insurance Act included provisions for RMA to upgrade and modernize its corporate information management systems and business processes. Funding was provided beginning in FY 2008 and runs out at the end of FY 2011. This \$9 million decrease reflects expiring authority for information technology modernization activities.

RISK MANAGEMENT AGENCY

SUMMARY OF INCREASES AND DECREASES-PROPOSED LEGISLATION

(On basis of appropriation)

<u>Item of Change</u>	2012		
	<u>Current Law</u>	<u>Program Changes</u>	<u>President's Request</u>
Premium Subsidy.....	\$3,082,875,000	-\$160,800,000	\$2,922,075,000
Delivery Expenses.....	0	0	0
Underwriting Gains.....	0	0	0
Federal Crop Insurance Act Initiatives.....	59,500,000	0	59,500,000
Application of Carryover.....	0	0	0
Total Available or Estimate.....	<u>\$3,142,375,000</u>	<u>-160,800,000</u>	<u>\$2,981,575,000</u>

EXPLANATION OF PROPOSED LEGISLATION:

Federal Crop Insurance Fund:

For 2012, the Budget includes a legislative proposal that would make the amount charged for catastrophic (CAT) coverage on crop insurance policies more closely reflect the experience of participants at this type and level of coverage. This change is expected to result in a savings of \$1.77 billion over 10 years. Because the premium for CAT is fully subsidized for the farmer, changing what we charge for the premium should affect only the payments to the Crop Insurance Companies.

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Geographic Breakdown of Obligations
2010 Actual and Estimated 2011 and 2012

	2010	2011	2012
	Amount	Amount	Amount
Alabama.....	\$23,388,629	\$44,473,196	\$74,753,863
Alaska.....	33,399	63,507	106,747
Arizona.....	6,237,596	11,860,713	19,936,371
Arkansas.....	12,164,332	23,130,330	38,879,183
California.....	331,998,029	631,290,240	1,061,119,699
Colorado.....	93,259,566	177,331,938	298,072,741
Connecticut.....	10,362,301	19,703,790	33,119,599
Delaware.....	4,213,838	8,012,561	13,468,111
Florida.....	880,714,955	1,674,668,843	2,814,908,240
Georgia.....	35,802,226	68,077,500	114,429,738
Hawaii.....	12,726,649	24,199,570	40,676,442
Idaho.....	24,866,494	47,283,337	79,477,358
Illinois.....	55,102,640	104,777,005	176,117,001
Indiana.....	15,286,281	29,066,679	48,857,441
Iowa.....	5,481,772	10,423,522	17,520,634
Kansas.....	430,011,747	817,662,140	1,374,387,483
Kentucky.....	23,960,193	45,560,017	76,580,673
Louisiana.....	14,800,933	28,143,795	47,306,189
Maine.....	1,196,092	2,274,355	3,822,906
Maryland.....	24,105,744	45,836,781	77,045,879
Massachusetts.....	6,591,342	12,533,357	21,067,001
Michigan.....	60,827,360	115,662,490	194,414,136
Minnesota.....	18,215,936	34,637,382	58,221,093
Mississippi.....	10,291,737	19,569,613	32,894,065
Missouri.....	27,252,063	51,819,469	87,102,027
Montana.....	82,949,737	157,727,922	265,120,851
Nebraska.....	72,836,896	138,498,478	232,798,567
Nevada.....	3,412,192	6,488,241	10,905,920
New Hampshire.....	308,134	585,914	984,847
New Jersey.....	12,595,925	23,950,999	40,258,625
New Mexico.....	4,832,813	9,189,535	15,446,456
New York.....	13,611,613	25,882,318	43,504,930
North Carolina.....	53,097,527	100,964,306	169,708,333
North Dakota.....	17,717,487	33,689,588	56,627,972
Ohio.....	59,473,788	113,088,688	190,087,898
Oklahoma.....	133,075,284	253,041,045	425,330,253
Oregon.....	120,227,668	228,611,458	384,267,182
Pennsylvania.....	16,483,228	31,342,659	52,683,079
Rhode Island.....	2,759	5,246	8,818
South Carolina.....	26,543,526	50,472,194	84,837,426
South Dakota.....	77,589,777	147,536,022	247,989,545
Tennessee.....	37,132,527	70,607,051	118,681,595
Texas.....	141,768,609	269,571,297	453,115,532
Utah.....	3,504,584	6,663,924	11,201,220
Vermont.....	22,465	42,716	71,800
Virginia.....	24,587,764	46,753,335	78,586,492
Washington.....	44,721,720	85,037,809	142,937,889
West Virginia.....	425,953	809,945	1,361,416
Wisconsin.....	33,698,006	64,076,350	107,704,307
Wyoming.....	8,009,425	15,229,825	25,599,425
Subtotal, Indemnities a/.....	3,117,521,262	5,927,929,000	9,964,105,000
Undistributed b/.....	3,872,594,962	4,051,811,000	59,500,000
Total, Available or Estimate.....	6,990,116,224	9,979,740,000	10,023,605,000

a/ Due to the inability to predict the location of losses, it is impossible to accurately estimate a State cost distribution. These estimates are based on prior year indemnities.

b/ Undistributed includes, Delivery Expenses, FCIA costs, Interest, Underwriting Gains/(Losses) and other expenses that cannot be distributed by State.

RISK MANAGEMENT AGENCY
Classification by Objects
2010 Actual and Estimated 2011 and 2012

	<u>2010</u>	<u>2011</u>	<u>2012</u>
FCIC FUND:			
25 Delivery Expenses.....	\$1,371,195,084	\$1,325,000,000	\$0
FCIA costs.....	53,046,133	68,500,000	59,500,000
Underwriting Gains/Losses.....	2,448,353,765	999,496,000	0
42 Indemnities.....	3,117,521,262	7,586,744,000	9,964,105,000
TOTAL FCIC FUND OBLIGATIONS....	<u>6,990,116,244</u>	<u>9,979,740,000</u>	<u>10,023,605,000</u>

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

STATUS OF PROGRAM

The Federal Crop Insurance Corporation (FCIC) is a wholly owned government corporation created February 16, 1938 (7 U.S.C. 1501.) The program was amended by Public Law (P.L.) 96-365, dated September 26, 1980, to provide for nationwide expansion of a comprehensive crop insurance plan. FCIC is administered by the Risk Management Agency (RMA), and promotes the national welfare by improving the economic stability of agriculture through a secure system of crop insurance. FCIC provides an actuarially sound risk management program that protects against agricultural production losses due to unavoidable causes such as drought, excessive moisture, hail, wind, hurricane, tornado, lightning, and insects. In addition to these causes, revenue insurance programs are available under which producers of certain crops are protected against loss of revenue stemming from low prices, poor yields, or a combination of both. Federal crop insurance is available to producers through private insurance companies that market and service policies and also share in the risk. Thus, the program delivery is a joint effort between the Federal government and the private insurance industry.

Current Activities:

There were over 1.1 million policies written in crop year 2010 with over \$7.5 billion in premium and indemnities projected at about \$3.5 billion. Crop insurance is available for more than 350 different commodities in over 3,141 counties covering all 50 states, and Puerto Rico. RMA continues to pursue initiatives to make higher levels of crop insurance protection more affordable and useful to producers, provide better protection to farmers experiencing multi-year losses, expand risk management education opportunities, stimulate development of new risk management products, and improve program integrity.

Pilot Programs are currently being implemented. RMA has 21 active pilot programs and 14 programs developed by private parties or persons submitted to FCIC under section 508(h) of the Federal Crop Insurance Act (FCIA). FCIC published proposed and final rules to convert the Avocado (Florida) pilot program to a permanent program. Proposed rules are being prepared for the Forage Seed and Processing Chili Pepper pilot programs to convert them to permanent programs. Final Rules were also published in the Federal Register making program improvements for Apples, Stonefruit and Florida Avocados.

Pasture, Rangeland, and Forage Pilot Programs are based on vegetation greenness and rainfall indices to meet the needs of livestock producers who purchase insurance protection for losses of forage produced for grazing or harvested for hay. In 2010, there were 12,167 vegetation and rainfall policies sold covering nearly 31 million acres of pasture, rangeland and forage. There was over \$416 million in liability and almost \$11 million in indemnities paid to livestock producers who purchased coverage.

Policy Maintenance continues as a part of RMA's ongoing oversight of existing crop insurance programs. Proposed and final rules were issued that implemented changes and improvements to RMA's Common Crop Insurance Regulations, Basic Provisions, Small Grains Crop Insurance Provisions, Cotton Crop Insurance Provisions, Coarse Grains Crop Insurance Provisions, Malting Barley Crop Insurance Provisions, Rice Crop Insurance Provisions, and Canola and Rapeseed Crop Insurance Provisions to provide both revenue protection and yield protection. The changes ranged from providing more coverage choices and options for producers to tightening program provisions to mitigate opportunities for fraud, waste and abuse.

New Privately Developed Programs were approved by the FCIC Board of Directors. The privately developed programs under the authority of section 508(h) of the FCIA included expansion of Livestock Gross Margin for Dairy Cattle, Fresh Market Beans, Cottonseed Price Endorsement, Louisiana Fresh Market Sweet Potatoes and Popcorn Revenue.

Concept Proposals, through FCIA mandates and FCIC corresponding procedures, allow for an advance payment of up to 50 percent of reasonable research and development costs prior to submission and approval of a policy by the Board under section 508(h). RMA has received 6 new section 522(b) Concept Proposal submissions and nineteen other proposals have been submitted to the FCIC Board of Directors as of November 2010.

Comprehensive Information Management System (CIMS) provides a single centralized storage for common producer reported information and creates efficient services to share information. CIMS facilitates reporting of program participation data leading to reduced reporting errors; data redundancy; storage/processing costs; fraud and abuse vulnerabilities; and improve overall program integrity. The CIMS system is loaded weekly with over 500 million records of FCIC and FSA nationwide producer and crop acreage information for 2005 thru 2010. Approved USDA users can utilize 15 web applications to access available data. The CIMS process builds data marts of differences between FCIC and FSA producer reported data on entity/business type and crop acreage. These differences will be made available to the responsible program authority for reconciliation using current program authorities, processes, and procedures.

Selected Progress Examples:

Standard Reinsurance Agreement (SRA) Negotiations were formally completed on July 12, 2010, with the signing of the 2011 SRA by all insurance providers that had been approved for the 2010 reinsurance year. During the negotiations, RMA worked with recommendations from the insurance industry, analyzed various Office of General Counsel (OGC) and Office of the Inspector General (OIG) reports, and briefed Congress. SRA negotiations were an iterative process of preparing draft documents, holding explanatory meetings, establishing comment periods, analyzing proposed revisions, and revising documents. The resulting SRA is projected by USDA to save the government \$6 billion over the next 10 years, with \$4 billion going towards reducing the federal deficit and \$2 billion supporting risk management and conservation programs for farmers.

Combined Policy (Combo) Regulations and Provisions were amended. FCIC published a Final Rule in the Federal Register to amend the Common Crop Insurance Regulations, Basic Provisions, Small Grains Crop Insurance Provisions, Cotton Crop Insurance Provisions, Coarse Grains Crop Insurance Provisions, Malting Barley Crop Insurance Provisions, Rice Crop Insurance Provisions, and Canola and Rapeseed Crop Insurance Provisions to provide both revenue protection and yield protection. The final rule was published in time to be implemented for the 2011 crop year. The amended provisions will replace the Crop Revenue Coverage (CRC), Income Protection (IP), Indexed Income Protection (IIP), and the Revenue Assurance (RA) plans of insurance.

Now producers have a choice of revenue protection (protection against loss of revenue caused by low prices, low yields, or a combination of both) or yield protection (protection for production losses only) within one Basic Provision and the applicable Crop Provision. This combined policy reduces the amount of information producers are required to read to determine the best risk management tool for their operation and to improve the prevented planting and other provisions to better meet the needs of insured producers.

IT Modernization Project (ITM) is in the final stages of reengineering and redesigning technology systems and processes to allow for easier addition of insurance products, provide better information to the producers and Approved Insurance Providers (AIPs) for policy determination and servicing, allowing for more robust actuarial analysis, and increased data analysis to support program integrity.

A two phased approach for the ITM project was executed. Phase I included all processes needed to implement rate and price development and filing of insurance offers, edit and validation of data submitted by approved insurance providers, and enhanced reporting capabilities. Phase I development was completed to support implementation of the Combined (Combo) policy for the 2011 crop year. Phase II will include accounting, exception processes, and the remainder of the corporate reporting system, and is scheduled for production in 2011.

RMA has strengthened information security to protect producer and corporate information. Significant security enhancements implemented include data encryption for all RMA laptops, more secure remote access into RMA networks, additional policies and security controls, and working with AIPs to protect critical information throughout the insurance process.

RISK MANAGEMENT AGENCY

Summary of Budget and Performance
Statement of Department Goals and Objectives

The primary responsibility of the Risk Management Agency (RMA) is to administer the Federal Crop Insurance Program in accordance with the 1938 Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) as amended. The Risk Management Agency was established in 1996 in the United States Department of Agriculture (USDA) to improve the economic stability of agriculture through a sound system of crop insurance and to provide the means for the research and experience that is helpful in devising and establishing such insurance. The mission of the agency is to promote, support, and regulate sound risk management solutions to strengthen and preserve the economic stability of America's agricultural producers. RMA provides an actuarially sound risk management program that protects against agricultural production losses due to unavoidable causes such as drought, excessive moisture, hail, wind, hurricane, tornado, lightning, and insects. In addition to these causes, revenue insurance programs are available under which producers of certain crops are protected against loss of revenue stemming from low prices, poor yields, or a combination of both. Federal crop insurance is available to producers through private insurance companies that market and service policies and also share in the risk. Thus, the program delivery is a joint effort between the Federal government and the private insurance industry.

RMA has one strategic goal and four strategic objectives that are in direct support of the achievement of USDA Strategic Goal: USDA will assist rural communities to create prosperity so they are self sustaining, repopulating and economically thriving.

USDA Strategic Goal	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
USDA will assist rural communities to create prosperity so they are self sustaining, repopulating and economically thriving.	Agency Goal 1: Preserve and strengthen the economic stability of America's agricultural producers by promoting and supporting the use of sound risk management tools among farmers and ranchers.	<u>Objective 1.1:</u> Increase the availability and effectiveness of risk management solutions. <u>Objective 2.1:</u> Improve and protect the soundness, safety, efficiency and effectiveness of the risk management delivery system. <u>Objective 3.1:</u> Ensure customer and stakeholders have knowledge and awareness of risk management tools and products. <u>Objective 4.1:</u> Ensure effective oversight of the Crop Insurance industry and enhance deterrence and prosecution of fraud, waste, and abuse.	Federal Crop Insurance	<u>Key Outcome:</u> Promote, support, and regulate sound risk management solutions to strengthen and preserve the economic stability of American agricultural producers.

Key Outcome: Promote, support, and regulate sound risk management solutions to strengthen and preserve the economic stability of American agricultural producers.

HPPG Measure: Normalized value of risk protection provided to agriculture producers through FCIC sponsored insurance (\$Billions).

Selected Past Accomplishments Toward Achievement of the Key Outcome: In FY 2010, RMA implemented the Common Crop Insurance Policy (Combo). Combo joined five separate, but similar, plan of insurance policies into one. This simplified approach impacted roughly 75 percent of overall business and impacted more than 800,000 policies. Implementation of Combo significantly reduced paperwork for both insurance companies and producers. Combo reduced the time consuming actuarial process and eliminated policy redundancies and rate discrepancies that previously existed among the five various insurance plans. Both the short and long term efficiencies of this change will be of significant benefit to all involved with the Federal crop insurance program.

Selected Accomplishments Expected at the FY 2012 Proposed Resource Level: RMA is submitting an FY 2012 budget that addresses the need to modify the crop insurance program to create less reliance on disaster insurance includes support to provide viable insurance products and tools, maintain an effective delivery system, and support oversight of the crop insurance industry. Expansion is included for numerous programs including, but not limited to PRF in several States, Strawberries, Dry Peas, and Lentils, Sesame, Quarantine, Sugar Beet Crop Provisions, and Sugarcane.

Efficiency Measure: N/A

Strategic Goal Funding Matrix
(On the basis of appropriation)

<u>Goal 1</u>	<u>2010 Actual</u>		<u>2011 Estimated</u>		Increase or Decrease	<u>2012 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
Administrative and Operating Expense	\$80,325,000	501	\$80,325,000	568	\$2,000,000	\$82,325,000	568
FCIC	4,547,118,832	0	6,993,896,000	0	-3,851,521,000	3,142,375,000	0
Total, Available	4,627,493,832	501	7,074,221,000	568	-3,849,521,000	3,224,700,000	568

**RISK MANAGEMENT AGENCY
BUDGET AND PERFORMANCE OVERVIEW**

USDA Strategic Goal: USDA will assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

Key Outcome: Promote, support, and regulate sound risk management solutions to strengthen and preserve the economic stability of American agricultural producers.

Key Performance Measure:

RMA will continue its efforts to increase the availability and effectiveness of risk management solutions and will continue to strengthen program integrity and compliance. RMA proposes to improve the decision-making in the adjustment, and the integrity, of claims by ensuring policyholders comply with the good farming practice provisions of the Federal Crop Insurance Act and crop policy regulations. In order to meet the requirements of the Improper Payment Information Act, establish and update a program error rate, and enhance the Federal crop insurance delivery system, RMA seeks to improve a system of recurring reviews of insurance provider operations, while at the same time continuing with other compliance initiatives to provide greater assurance in the integrity of crop insurance delivery. Additionally, RMA seeks to continue investing in the data analysis tools of data mining and remote sensing of crop insurance data that have proven to be extremely useful in detection of possible instances of fraud, waste, and abuse.

To enhance program delivery systems, decision-making, and performance budgeting capabilities, RMA is currently in Phase II of modernizing its information technology systems and create a more corporate style database and communication system to provide automated, timely and complete data for decision making and information sharing while enhancing data security. Initiatives in the administrative infrastructure contribute significantly to supporting the Agency's mission and strategic goals. RMA also has integrated the Secretary's High Priority Goals and strategic/operational Performance Goals into its planning and management cycles. Attention to these elements will result in more effective RMA usage of valuable resources to improve upon the agency conformity with Departmental guidelines and OMB guidance.

Key Performance Targets

Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Estimate	2011 Target	2012 Target
#1 –Normalized value of FCIC risk protection coverage provided through FCIC sponsored insurance (\$Billions)	\$50.6B	\$51.6B	\$51.4B	\$51.9B	\$52.4B	\$52.9B
Mandatory and discretionary funding associated with measure (\$Billions)	\$3.4B	\$4.5B	\$4.9B	\$6.9B	\$7.0B	\$3.1B
Discretionary IT Funding (\$ Millions)	\$19.6M	\$17.1M	\$13.7M	\$13.6M	\$15.6M	\$15.6M

Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Estimate	2011 Target	2012 Target
#2 – The number of crop insurance or non-insurance risk management tools which address pasture, rangeland and forage production needs	3	5	5	5	5	5
Mandatory and discretionary funding associated with measure	\$750,000	\$1.5M	\$1.8M	\$1.8M	\$1.4M	\$1.4M
#3 – The number of pilot programs evaluated for potential conversion from pilot program to permanent program status	4	3	2	2	2	2
Mandatory and discretionary funding associated with measure (\$Millions)	\$3.0M	\$3.0M	\$4.0M	\$3.0M	\$3.0M	\$3.0M
#4 – Crop Insurance participation rate for the ten staple crops	77.0%	79.8%	80.5%	81.0%	81.0%	81.0%
Mandatory and discretionary funding associated with measure	N/A	N/A	N/A	N/A	N/A	N/A
#5 – The number of producers reached through Commodity Partnership and Targeted States Cooperative Agreements	48,720	49,451	25,000	50,193	57,000	57,000
Mandatory and discretionary funding associated with measure (\$Millions)	\$14M	\$14M	\$15M	\$15M	\$15M	\$15M
#6 – The number of operational reviews conducted of insurance companies receiving funding through FCIC	5	6	5	6	6	6
Mandatory and discretionary funding associated with measure	\$62,000	\$90,000	\$85,000	\$111,400	\$116,000	\$116,000

Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Estimate	2011 Target	2012 Target
#7 – The number of program reviews of insurance providers receiving funding through FCIC	5	6	6	6	6	6
Mandatory and discretionary funding associated with measure (\$Millions)	\$1.4M	\$1.7M	\$1.7M	\$1.8M	\$1.9M	\$1.9M
#8 - Reduce rejection rate of policy records						
a. Units	Not Available	Not Available	Not Available			
b. Dollars				6%	6%	6%
#9 – Estimated total savings due to large claim reviews						
a. Units						
b. Dollars	N/A	N/A	N/A	\$16.8M	\$16.8M	\$16.8M
#10 – Total small and limited resources farmers and ranchers reached through outreach initiatives						
a. Units	Not Available	Not Available	Not Available	50,000	51,500	51,500
b. Dollars				\$2.0M	\$2.5M	\$2.5M

RISK MANAGEMENT AGENCY
Full Cost By Department Strategic Goal

USDA Strategic Goal: Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving

PROGRAM	PROGRAM ITEMS	FY 2010	FY 2011	FY 2012
Federal Crop Insurance Corporation Fund (FCIC)				
	Premium Subsidy	4,089,811	4,600,900	3,082,875
	Delivery Expenses	1,567,145	1,325,000	-
	Underwriting Gains	1,167,759	999,496	-
	Federal Crop Insurance Act Initiatives	74,500	68,500	59,500
	Other Authority Withdrawn	(2,352,096)	-	-
	Total Costs	\$ 4,547,119	\$ 6,993,896	\$ 3,142,375
Administrative and Operating Expenses:				
	Administrative Costs (direct)	66,045	66,045	66,045
	Information Technology	14,280	14,280	16,280
	Total Costs	\$ 80,325	\$ 80,325	\$ 82,325
	FTEs	501	568	568
	Performance Measure: The normalized value of			
	BY Performance	Dollars	Dollars	Dollars
	Cost per measure (unit cost)	\$51.9	\$52.4	\$52.9
	Total for Strategic GOAL			
	Total Costs for Priority (program, direct, indirect)	\$ 4,627,444	\$ 7,074,221	\$ 3,224,700
	FTEs	501	568	568