

2015 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, enacted 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). RMA provides 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; programs involving revenue insurance; risk management savings accounts or the use of the futures market to manage risk; and farm income support.

Over the past seven 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 legislation has 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 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 recent enhancements to the crop insurance program include premium rate revisions; trend adjusted Actual Production History (APH) product; revenue insurance; forage, rangeland, specialty crops, and livestock pilots. Education 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 have available a cost-effective means of managing their risk and are able to contribute to a rural economy that is self-sustaining, repopulating, and economically thriving.

RMA employees are located at the Headquarters office in Washington, D.C.; the National office in Kansas City, MO; ten Regional Offices (ROs); and six Regional Compliance Offices (RCOs). As of September 30, 2013, RMA had 431 full-time permanent employees with staff located throughout the Nation as follows: 69 in Washington, D.C.; 141 in Kansas City, MO; 137 in ROs; and 84 in RCOs.

Major RMA functional areas include: 1) Program Administration including the FCIC Board of Directors; 2) Product Management; 3) Insurance Services including ROs located in: Billings, Montana; Jackson, Mississippi; Oklahoma City, Oklahoma; Raleigh, North Carolina; Davis, California; St. Paul, Minnesota; Spokane, Washington; Springfield, Illinois; Topeka, Kansas; and Valdosta, Georgia; and 4) Compliance including RCOs located in: 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 during 2013.

| OIG/GAO AUDITS COMPLETED IN FISCAL YEAR 2013 | | |
|--|---------------------------|--------------------|
| REPORT TITLE | IDENTIFYING NUMBER | DATE ISSUED |
| GAO USDA Payments and Benefits to Deceased Individuals- The objective is to evaluate USDA controls over payments to deceased individuals. | GAO 361397 | 6/8/2013 |
| GAO Puerto Rican Statehood Job- The objective is to assess (1) Crop Insurance, (2) Commodity Loans and Loan Deficiency Programs, and (3) Direct and Counter-Cyclical Payments Program. Need officials to confirm or provide information on each program’s objectives, obligation data, and how these programs might change if Puerto Rico were granted statehood. | GAO 450979 | 3/1/2013 |
| OIG Federal Crop Insurance Program-Organic Crops: The objectives are to identify and assess: (1) RMA and Approved Insurance Provider (AIP) 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 and AIP controls over determining whether underwriting information supplied to RMA by AIP’s and their agents was accurate; and (3) RMA and AIP controls over whether insured producers followed “good organic farming practices.” | OIG 05601-6-KC | 6/28/2013 |
| OIG Executive Order 13520, Reducing Improper Payments Fiscal year 2012 High Dollar Report Review- The objective is to review USDA’s quarterly high-dollar reports to assess the level of risk associated with the applicable programs, determine the extent of oversight warranted, and provide the agency head with recommendations, if any, for modifying the agency’s recovery and corrective action plans. | OIG 50024-0003-11 | 9/4/2013 |
| OIG U.S. Department of Agriculture Improper Payments Elimination and Recovery Act of 2010 Compliance Review for Fiscal Year 2012- The objective is to review implementation of the Improper Payment Elimination and Recovery Act of 2010 for FY 2012. | OIG 50024-0004-11 | 3/15/2013 |
| OIG Controls over Prevented Planting- The objective is to assess RMA’s Controls over prevented planting provisions under the Federal Crop Insurance Program. | OIG-05601-0001-31 | 9/10/2013 |
| OIG Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2012 and 2011 | OIG 05401-0002-11 | 11/1/2012 |

OIG/GAO AUDITS IN PROGRESS DURING FISCAL YEAR 2013

| REPORT TITLE | IDENTIFYING NUMBER | START DATE |
|---|---------------------------|-------------------|
| GAO Potential Overlap and Duplication Among Federal Farm Safety Net Programs- The objectives are to determine: 1) To what extent, if any, do farm programs have overlapping or duplicative goals and requirements? (2) To what extent, if at all, have farm operations received payments from multiple farm programs, and what is the amount of these payments? (3) What controls, if any, does USDA have in place to prevent overlapping or duplicative payments to farm operations? | GAO 361465 | 2/26/2013 |
| GAO Revenue Based Insurance Crop Policies- The objectives are to determine: (1) The differences in government costs for the various crop insurance policies; (2) The advantages and disadvantages to farmers, insurance companies and the government of each policy type; (3) The possible cost implications of making various changes to these types of policies. | GAO 361487 | 5/1/2013 |
| GAO Climate Change Implications for Public Insurance Programs- The objective is for federal agencies to analyze long term implications of climate change for programs. | GAO 361517 | 9/23/2013 |
| GAO USDA Climate Change Efforts- GAO will review (1) USDA's priorities related to climate change and agricultural production and the status of USDA's efforts in this area; (2) the extent to which USDA agencies are promoting technologies to reduce greenhouse gases from U.S. agriculture; (3) how USDA is coordinating its climate change efforts internally and within federal, state, and local agencies and nongovernmental entities. | GAO 361531 | 9/5/2013 |
| OIG FCIC/RMA Financial Statements for Fiscal Years 2013 and 2012- The objective of this audit was to present the auditors' opinion on the RMA and Federal Crop Insurance Corporation principal financial statements for the fiscal years ended September 30, 2013 and 2012. | OIG 05401-0003-11 | 4/18/2013 |
| OIG National Program Operation Review (NPOR)- The objectives of this audit are to assess whether RMA NPORs reasonably determine if the Approved Insurance Providers are substantially in compliance with laws, regulations, the Standard Reinsurance Agreement, associated Appendices, and approved Federal Crop Insurance Corporation policies and procedures. We will also assess whether the NPORs provide an accurate and effective basis to determine RMA's improper payment rate, identify causes for improper payments, and take corrective action to reduce improper payments in accordance with the Improper Payments Information Act of 2002 and the Improper Payments Elimination and Recovery Act of 2010. | OIG 05601-0001-22 | 6/25/2013 |

| | | |
|---|--------------------------|-------------------|
| <p>OIG USDA Office of the Chief Information Officer, FY 2013, Federal Information Security Management ACT- The objective of this audit is to assess security program, compliance with FISMA, and effectiveness of controls over continuous monitoring, configuration management, identity and access management, incident response, assessments, and authorizations, IT training, Plan of Action and Milestones, remote access management, contingency planning, contractor systems, and capital planning.</p> | <p>OIG 50501-0004-12</p> | <p>5/7/2013</p> |
| <p>OIG Review of USDA Contractor Payments- The objective of this audit is to analyze contractor payment data in USDA's payment-related databases to check for anomalies and to ensure that the data are properly and accurately reported in accordance with laws and regulations. The scope of our review includes all payments to contractors during fiscal year (FY) 2012 and earlier FYs, if necessary.</p> | <p>OIG 50901-0001-13</p> | <p>11/19/2012</p> |

RISK MANAGEMENT AGENCY

Available Funds and Staff Years (SYs)

(Dollars in thousands)

| Item | 2012 Actual | | 2013 Actual | | 2014 Estimate | | 2015 Estimate | |
|-----------------------------------|-------------|-----|-------------|-----|---------------|-----|---------------|-----|
| | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs |
| Salaries and Expenses: | | | | | | | | |
| Discretionary Appropriations..... | \$74,900 | 470 | \$74,900 | 446 | \$71,496 | 455 | \$76,779 | 467 |
| Federal Crop Insurance Fund | | | | | | | | |
| Mandatory Appropriations..... | 7,605,175 | - | 12,208,984 | - | 9,964,041 | - | 8,668,022 | - |
| Rescission..... | - | - | -2,028 | - | - | - | - | - |
| Sequestration..... | - | - | -6,752 | - | -3,996 | - | - | - |
| Transfers In..... | 41 | - | 38 | - | - | - | - | - |
| Adjusted Appropriation..... | 7,680,116 | 470 | 12,275,142 | 446 | 10,031,541 | 455 | 8,744,801 | 467 |
| Balance Available, SOY..... | 564,000 | - | 565,000 | - | 565,000 | - | 565,000 | - |
| Other Adjustments (Net)..... | 5,000,641 | - | 8,809,000 | - | 4,533,000 | - | 3,730,132 | - |
| Total Available..... | 13,244,757 | 470 | 21,649,142 | 446 | 15,129,541 | 455 | 13,039,933 | 467 |
| Lapsing Balances..... | -209 | - | -376 | - | - | - | - | - |
| Balance Available, EOY..... | -564,000 | - | -565,000 | - | -565,000 | - | -565,000 | - |
| Obligations..... | 12,680,548 | 470 | 21,083,766 | 446 | 14,564,541 | 455 | 12,474,933 | 467 |
| Total, RMA..... | 12,680,548 | 470 | 21,083,766 | 446 | 14,564,541 | 455 | 12,474,933 | 467 |

RISK MANAGEMENT AGENCY
Permanent Positions by Grade and Staff Year Summary

| Item | 2012 Actual | | | 2013 Actual | | | 2014 Estimate | | | 2015 Estimate | | |
|--|-------------|-------|-------|-------------|-------|-------|---------------|-------|-------|---------------|-------|-------|
| | D.C. | Field | Total | D.C. | Field | Total | D.C. | Field | Total | D.C. | Field | Total |
| SES..... | 4 | 1 | 5 | 3 | 1 | 4 | 4 | 1 | 5 | 4 | 1 | 5 |
| GS-15..... | 9 | 5 | 14 | 10 | 4 | 14 | 9 | 5 | 14 | 10 | 5 | 15 |
| GS-14..... | 7 | 33 | 40 | 6 | 35 | 41 | 7 | 34 | 41 | 7 | 34 | 41 |
| GS-13..... | 24 | 147 | 171 | 26 | 136 | 162 | 24 | 147 | 171 | 25 | 147 | 172 |
| GS-12..... | 8 | 132 | 140 | 10 | 124 | 134 | 8 | 132 | 140 | 8 | 142 | 150 |
| GS-11..... | 2 | 17 | 19 | 3 | 18 | 21 | 2 | 17 | 19 | 2 | 17 | 19 |
| GS-10..... | 1 | - | 1 | 1 | - | 1 | 1 | - | 1 | 1 | - | 1 |
| GS-9..... | 2 | 18 | 20 | 3 | 4 | 7 | 2 | 18 | 20 | 2 | 18 | 20 |
| GS-8..... | 5 | 6 | 11 | 4 | 6 | 10 | 5 | 6 | 11 | 5 | 6 | 11 |
| GS-7..... | 3 | 11 | 14 | 2 | 17 | 19 | 3 | 11 | 14 | 3 | 11 | 14 |
| GS-6..... | 1 | 14 | 15 | 1 | 12 | 13 | 1 | 14 | 15 | 1 | 14 | 15 |
| GS-5..... | - | 1 | 1 | - | 2 | 2 | - | 1 | 1 | - | 1 | 1 |
| GM-14..... | - | 1 | 1 | - | 1 | 1 | - | 1 | 1 | - | 1 | 1 |
| Ungraded Positions..... | - | 2 | 2 | - | 2 | 2 | - | 2 | 2 | - | 2 | 2 |
| Total Perm. Positions..... | 66 | 388 | 454 | 69 | 362 | 431 | 66 | 389 | 455 | 68 | 399 | 467 |
| Total, Perm. Full-Time Employment, EOY..... | 66 | 388 | 454 | 69 | 362 | 431 | 66 | 389 | 455 | 68 | 399 | 467 |
| Staff Year Est.... | 77 | 393 | 470 | 70 | 376 | 446 | 66 | 389 | 455 | 66 | 407 | 467 |

RISK MANAGEMENT AGENCY
Size, Composition, and Costs of Motor Vehicle Fleet

| Fiscal Year | Number of Vehicles by Type * | | | | | | | | Annual Operating Costs (\$ in 000) ** |
|-------------|------------------------------|------------------------------|-----|----------------------|------------|-------|---------------------|--------------------------|---------------------------------------|
| | Sedans and Station Wagons | Light Trucks, SUVs, and Vans | | Medium Duty Vehicles | Ambulances | Buses | Heavy Duty Vehicles | Total Number of Vehicles | |
| | | 4x2 | 4x4 | | | | | | |
| 2012 | - | 2 | 3 | - | - | - | - | 5 | \$34 |
| Change | - | - | - | - | - | - | - | - | +5 |
| 2013 | - | 2 | 3 | - | - | - | - | 5 | 39 |
| Change | - | - | - | - | - | - | - | - | - |
| 2014 | - | 2 | 3 | - | - | - | - | 5 | 39 |
| Change | - | - | - | - | - | - | - | - | - |
| 2015 | - | 2 | 3 | - | - | - | - | 5 | 39 |

* Numbers include vehicles owned by the agency and leased from commercial sources or GSA.

NOTES:

These vehicles are assigned in RMA field structure to 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 Federal 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. For these vehicles leased from GSA, RMA relies upon GSA to supply the agency with alternative-fueled vehicles as required by law.

RISK MANAGEMENT AGENCY
SALARIES AND EXPENSES ACCOUNT

The estimates include appropriation language for this item as follows (new language underscored; deleted enclosed in brackets):

[RISK MANAGEMENT AGENCY] RMA Salaries and Expenses:

For necessary expenses of the Risk Management Agency, [\$71,496,000] \$76,779,000: *Provided*, That not to exceed \$1,000 shall be available for official reception and representation expenses, as authorized by 7 U.S.C. 1506(i).

The change is to designate the account as salaries and expenses.

RISK MANAGEMENT AGENCY
SALARIES AND EXPENSES

Lead-Off Tabular Statement

| | |
|------------------------------|--------------------|
| Budget Estimate, 2015..... | \$76,779,000 |
| 2014 Enacted..... | <u>71,496,000</u> |
| Change in Appropriation..... | <u>+ 5,283,000</u> |

Summary of Increases and Decreases
(Dollars in thousands)

| Program | 2012 Actual | 2013 Change | 2014 Change | 2015 Change | 2015 Estimate |
|-------------------------------|----------------|----------------|----------------|----------------|------------------|
| Discretionary Appropriations: | | | | | |
| Total Appropriation..... | \$74,900 | -\$5,796 | +\$2,392 | +\$5,283 | \$76,779 |

RISK MANAGEMENT AGENCY
SALARIES AND EXPENSES

Project Statement
Appropriations Detail and Staff Years (SYs)
(Dollars in thousands)

| Program | <u>2012 Actual</u> | | <u>2013 Actual</u> | | <u>2014 Estimate</u> | | <u>Inc. or Dec.</u> | | <u>2015 Estimate</u> | | |
|--|--------------------|-----|--------------------|-----|----------------------|-----|---------------------|-----|----------------------|----------|-----|
| | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs | |
| Discretionary Appropriations: | | | | | | | | | | | |
| Total Appropriation..... | \$74,900 | 470 | \$69,104 | 446 | \$71,496 | 455 | +\$5,283 | (1) | +12 | \$76,779 | 467 |
| Subtotal..... | 74,900 | 470 | 69,104 | 446 | 71,496 | 455 | +5,283 | | +12 | 76,779 | 467 |
| Total Adjusted Approp..... | 74,900 | 470 | 69,104 | 446 | 71,496 | 455 | +5,283 | | +12 | 76,779 | 467 |
| Rescissions, Transfers, and Seq. (Net)..... | | | | | | | | | | | |
| | - | - | 5,796 | - | - | - | - | - | - | - | - |
| Total Appropriation..... | 74,900 | 470 | 74,900 | 446 | 71,496 | 455 | +5,283 | | +12 | 76,779 | 467 |
| Transfers In: | | | | | | | | | | | |
| Cong. Relations..... | 41 | - | 38 | - | - | - | - | - | - | - | - |
| Total..... | 41 | - | 38 | - | - | - | - | - | - | - | - |
| Rescission..... | - | - | -2,028 | - | - | - | - | - | - | - | - |
| Sequestration..... | - | - | -3,768 | - | - | - | - | - | - | - | - |
| Total Available..... | 74,941 | 470 | 69,142 | 446 | 71,496 | 455 | +5,283 | | +12 | 76,779 | 467 |
| Lapsing Balances..... | -209 | - | -376 | - | - | - | - | - | - | - | - |
| Total Obligations..... | 74,732 | 470 | 68,766 | 446 | 71,496 | 455 | +5,283 | | +12 | 76,779 | 467 |

Project Statement
Obligations Detail and Staff Years (SYs)
(Dollars in thousands)

| Program | <u>2012 Actual</u> | | <u>2013 Actual</u> | | <u>2014 Estimate</u> | | <u>Inc. or Dec.</u> | | <u>2015 Estimate</u> | | |
|----------------------------|--------------------|-----|--------------------|-----|----------------------|-----|---------------------|-----|----------------------|----------|-----|
| | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs | |
| Discretionary Obligations: | | | | | | | | | | | |
| Total Appropriation..... | \$74,732 | 470 | \$68,766 | 446 | \$71,496 | 455 | +\$5,283 | (1) | +12 | \$76,779 | 467 |
| Subtotal..... | 74,732 | 470 | 68,766 | 446 | 71,496 | 455 | +5,283 | | +12 | 76,779 | 467 |
| Total Obligations..... | 74,732 | 470 | 68,766 | 446 | 71,496 | 455 | +5,283 | | +12 | 76,779 | 467 |
| Lapsing Balances..... | 209 | - | 376 | - | - | - | - | - | - | - | - |
| Total Available..... | 74,941 | 470 | 69,142 | 446 | 71,496 | 455 | +5,283 | | +12 | 76,779 | 467 |
| Transfers In..... | -41 | - | -38 | - | - | - | - | - | - | - | - |
| Rescission..... | - | - | 2,028 | - | - | - | - | - | - | - | - |
| Sequestration..... | - | - | 3,768 | - | - | - | - | - | - | - | - |
| Total Appropriation..... | 74,900 | 470 | 74,900 | 446 | 71,496 | 455 | +5,283 | | +12 | 76,779 | 467 |

RISK MANAGEMENT AGENCY
SALARIES AND EXPENSES

Justification of Increases and Decreases

- (1) A net increase of \$5,283,000 for 12 additional staff years and salaries and expenses and activities directed at achieving the RMA mission, goals, and objectives (\$71,496,000 and 455 staff years available in FY 2014).

Base funds will allow RMA to continue serving America's agricultural producers through effective, market-based risk management tools and solutions to strengthen the economic stability of agricultural producers and rural communities. RMA will strive to provide world class agricultural risk management products, tools, education and outreach.

Continuation of the program is critical because farmers and ranchers rely upon this component of the farm financial safety net to protect them from the inherently risky business of agricultural production. All Americans rely on the Federal crop insurance program to keep an abundant supply of food, fiber, and fuel flowing from farms and ranches, and to help ensure food security for the Nation. RMA also works to ensure the actuarial soundness of current agricultural insurance products and enhance ongoing efforts to prevent and uncover waste, fraud and abuse in the program.

As does the base funding, the increases below support the mission, vision, and goals of the agency. The funding change is requested for the following items:

- a) An increase of \$532,000 for pay costs (\$133,000 for annualization of the 2014 pay increase and \$399,000 for the 2015 pay increase).

This increase will enable RMA to maintain staffing levels, which are critical to accomplishing the mission and goals of the agency.

- b) An increase of \$3,333,000 for General Services Administration (GSA) Rental Payments and Department of Homeland Security (DHS) payments.

In 2015, USDA proposes the decentralization of GSA rental payments and DHS payments. The requested amount is the equivalent share of the current GSA Rent and DHS central appropriations based upon current RMA space occupancy across the continental United States. The appropriations request for the central GSA rent account and the DHS payment account has been reduced accordingly.

- c) An increase of \$2,265,000 and 12 staff years for improved compliance.

RMA requests funding for an additional 12 staff years to improve the agency's ability to act upon previous audit findings, improve improper payment rates, and reduce audit findings in the future. This funding will provide for salary and expenses for 12 employees as well as any necessary travel, supplies, contracts and agreements to support these employees. OIG audits have concluded that RMA did not have an adequate sampling methodology to estimate improper payments. OIG encouraged RMA to request additional funding that would allow improved sampling for improper payments.

As required under the Improper Payments Elimination and Recovery Act of 2010 (IPERA), it is critical for RMA to ensure a decrease in improper payment rates in the Federal Crop Insurance Program. The need to reduce improper payment rates will only grow as the Agricultural Act of 2014 is implemented. RMA is mid-stream in a contract with a leading fraud detection, prevention and mitigation company, actively working through a lean six sigma process to improve the IPERA sampling method, improve fraud detection capabilities and reduce improper payments. Based on the recommendations of the contractor, the additional staffing that RMA proposes will leverage industry best practices to provide a strong network for addressing improper payments and fraud prevention in the agency. This network will include a management position under the compliance division to oversee IPERA activities, with a focus on improving the sampling methodology and reducing the improper payment rate. Additionally, 11 other staff years will be added in the 6 regional compliance offices to support the reduction of improper payments and implementation of new sampling methodologies across the Nation.

d) A decrease of \$847,000 in operating expenses.

RMA is able to sustain the cuts outlined in 2015 as a result of successful planning and management over the past several years. Specifically, the agency actively economized and pursued efficiencies and reductions in information technology (IT), travel, and other administrative services.

In addition, the most recent Farm Bill provided new supplemental funding for administrative expenses for RMA. Specifically, beginning in 2014, \$9 million was provided annually for Reviews, Compliance and Integrity under section 516(b)(2)(C) of the FCIA. \$14 million was provided for IT costs under section 515(k)(1) of the FCIA, and RMA will continue to be able to offset some program-related data costs with up to \$20 million from producer paid fees. The additional funds from the Farm Bill coupled with continued rigorous management of our discretionary funding and the increases described above mean that we expect operation to be fully continued in 2015.

RISK MANAGEMENT AGENCY

Geographic Breakdown of Obligations and Staff Years
(Dollars in thousands and Staff Years (SYs))

| State/Territory | 2012 Actual | | 2013 Actual | | 2014 Estimate | | 2015 Estimate | |
|---------------------------|-------------|-----|-------------|-----|---------------|-----|---------------|-----|
| | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs |
| California..... | 2,952 | 25 | 2,790 | 26 | 2,822 | 25 | 2,961 | 26 |
| District of Columbia..... | 33,967 | 77 | 24,671 | 70 | 32,530 | 66 | 36,699 | 68 |
| Georgia..... | 1,319 | 13 | 1,128 | 11 | 1,261 | 13 | 1,276 | 13 |
| Illinois..... | 1,644 | 16 | 1,628 | 15 | 1,571 | 16 | 1,589 | 16 |
| Indiana..... | 1,157 | 13 | 1,171 | 12 | 1,106 | 13 | 1,231 | 15 |
| Kansas..... | 1,851 | 17 | 1,842 | 16 | 1,769 | 17 | 1,789 | 17 |
| Minnesota..... | 3,247 | 30 | 3,172 | 29 | 3,104 | 30 | 3,254 | 32 |
| Mississippi..... | 1,593 | 15 | 1,634 | 15 | 1,523 | 15 | 1,540 | 15 |
| Missouri..... | 17,835 | 177 | 21,791 | 164 | 17,047 | 173 | 17,245 | 173 |
| Montana..... | 1,570 | 14 | 1,672 | 17 | 1,501 | 14 | 1,517 | 14 |
| North Carolina..... | 3,243 | 34 | 2,930 | 30 | 3,100 | 34 | 3,251 | 36 |
| Oklahoma..... | 1,042 | 8 | 976 | 8 | 996 | 8 | 1,110 | 9 |
| Texas..... | 1,726 | 17 | 1,825 | 19 | 1,650 | 17 | 1,785 | 19 |
| Washington..... | 1,586 | 14 | 1,537 | 14 | 1,516 | 14 | 1,532 | 14 |
| Obligations..... | 74,732 | 470 | 68,766 | 446 | 71,496 | 455 | 76,779 | 467 |
| Lapsing Balances..... | 209 | - | 376 | - | - | - | - | - |
| Available, EOY..... | - | - | - | - | - | - | - | - |
| Total, Available..... | 74,941 | 470 | 69,142 | 446 | 71,496 | 455 | 76,779 | 467 |

RISK MANAGEMENT AGENCY

Classification by Objects
(Dollars in thousands)

| | 2012 <u>Actual</u> | 2013 <u>Actual</u> | 2014 <u>Estimate</u> | 2015 <u>Estimate</u> |
|---|-----------------------|-----------------------|-------------------------|-------------------------|
| Personnel Compensation: | | | | |
| Washington D.C..... | \$7,249 | \$7,533 | \$7,013 | \$7,299 |
| Field..... | 35,015 | 33,114 | 36,701 | 38,201 |
| 11 Total personnel compensation..... | 42,264 | 40,647 | 43,714 | 45,500 |
| 12 Personal benefits..... | 12,021 | 11,992 | 12,051 | 12,113 |
| 13.0 Benefits for former personnel..... | 6 | 23 | 6 | 6 |
| Total, personnel comp. and benefits..... | 54,291 | 52,662 | 55,771 | 57,619 |
| Other Objects: | | | | |
| 21.0 Travel and transportation of persons..... | 1,069 | 857 | 948 | 875 |
| 22.0 Transportation of things..... | 57 | 42 | 57 | 40 |
| 23.1 Rental payments to GSA..... | - | - | - | 2,989 |
| 23.2 Rental payments to others..... | 338 | 345 | 338 | 308 |
| 23.3 Communications, utilities, and misc. charges.... | 755 | 718 | 755 | 701 |
| 24.0 Printing and reproduction..... | 24 | 29 | 24 | 22 |
| 25.1 Advisory and assistance services..... | 2,849 | 2,490 | 2,561 | 3,061 |
| 25.3 Other purchases of goods and services from Federal sources..... | 1,157 | 1,442 | 1,042 | 1,835 |
| 25.4 Operation and maintenance of facilities..... | 182 | 177 | 156 | 145 |
| 25.7 Operation and maintenance of equipment..... | 13,382 | 9,476 | 9,443 | 8,826 |
| 25.8 Subsistence and support of persons..... | 270 | 259 | 221 | 200 |
| 26.0 Supplies and materials..... | 224 | 157 | 100 | 87 |
| 31.0 Equipment..... | 134 | 112 | 80 | 71 |
| Total, Other Objects..... | 20,441 | 16,104 | 15,725 | 19,160 |
| 99.9 Total, new obligations..... | 74,732 | 68,766 | 71,496 | 76,779 |
| Position Data: | | | | |
| Average Salary (dollars), ES Position..... | \$181,299 | \$164,256 | \$166,650 | \$166,650 |
| Average Salary (dollars), GS Position..... | \$87,704 | \$88,281 | \$89,890 | \$89,890 |
| Average Grade, GS Position..... | 11.9 | 11.9 | 11.9 | 11.9 |

RISK MANAGEMENT AGENCY

Shared Funding Projects

(Dollars in thousands)

| | 2012 | 2013 | 2014 | 2015 |
|--|---------------|---------------|-----------------|-----------------|
| | <u>Actual</u> | <u>Actual</u> | <u>Estimate</u> | <u>Estimate</u> |
| Working Capital Fund: | | | | |
| Administration: | | | | |
| Beltsville Service Center..... | \$17 | \$12 | \$17 | \$17 |
| Mail and Reproduction Management..... | 66 | 75 | 46 | 54 |
| Integrated Procurement System..... | 17 | 14 | 14 | 14 |
| Subtotal..... | 99 | 101 | 76 | 86 |
| Communications: | | | | |
| Creative Media & Broadcast Center..... | 2 | 8 | 20 | 19 |
| Finance and Management: | | | | |
| NFC/USDA..... | 85 | 93 | 121 | 121 |
| Controller Operations..... | 117 | 113 | 100 | 101 |
| Financial Systems..... | 216 | 214 | 208 | 205 |
| Internal Control Support Services..... | 161 | 150 | 139 | 129 |
| Subtotal..... | 579 | 570 | 568 | 557 |
| Information Technology: | | | | |
| NITC/USDA..... | 259 | 307 | 86 | 88 |
| International Technology Services..... | 57 | 176 | 15 | 16 |
| Telecommunications Services..... | 179 | 155 | 159 | 138 |
| Subtotal..... | 495 | 638 | 261 | 241 |
| Correspondence Management..... | 40 | 33 | 29 | 34 |
| Total, Working Capital Fund..... | 1,215 | 1,350 | 955 | 937 |
| Department-Wide Reimbursable Programs: | | | | |
| 1890's USDA Initiatives..... | 16 | 14 | 13 | 13 |
| Continuity of Operations Planning..... | 9 | 10 | 9 | 9 |
| E-GOV Initiatives HSPD-12..... | 34 | 31 | 29 | 29 |
| Emergency Operations Center..... | 13 | 11 | 10 | 10 |
| Facility and Infrastructure Review and Assessment..... | 0 | 2 | 2 | 2 |
| Faith-Based Initiatives and Neighborhood Partnerships..... | 2 | 2 | 2 | 2 |
| Federal Biobased Products Preferred Procurement Program.... | 2 | 2 | 1 | 1 |
| Hispanic-Serving Institutions National Program..... | 11 | 9 | 9 | 9 |
| Honor Awards..... | 0 | 0 | 0 | 0 |
| Human Resources Transformation (inc. Diversity Council)..... | 9 | 8 | 7 | 7 |
| Intertribal Technical Assistance Network..... | 11 | - | - | - |
| Medical Services..... | 2 | 3 | 2 | 2 |
| Personnel and Document Security..... | 3 | 5 | 6 | 6 |
| Pre-authorizing Funding..... | 19 | 16 | 16 | 16 |
| Retirement Processor/Web Application..... | 3 | 3 | 2 | 2 |
| Sign Language Interpreter Services..... | 8 | 9 | 7 | 7 |
| TARGET Center..... | 5 | 4 | 4 | 4 |
| USDA 1994 Program..... | 4 | 4 | 3 | 3 |
| Virtual University..... | 11 | 10 | 9 | 9 |
| Visitor Information Center..... | 4 | 4 | 4 | 4 |

RISK MANAGEMENT AGENCY

Shared Funding Projects

(Dollars in thousands)

| | 2012 | 2013 | 2014 | 2015 |
|--|---------------------|---------------------|---------------------|---------------------|
| | <u>Actual</u> | <u>Actual</u> | <u>Estimate</u> | <u>Estimate</u> |
| Total, Department-Wide Reimbursable Programs..... | 166 | 146 | 136 | 136 |
| E-Gov: | | | | |
| Disaster Assistance Improvement Plan..... | 2 | 2 | 2 | 2 |
| Enterprise Human Resources Intigration..... | 16 | 12 | 10 | 10 |
| E-Rulemaking..... | 2 | 5 | 4 | 4 |
| E-Training..... | 16 | 14 | 12 | 12 |
| Financial Management Line of Business..... | 0 | 1 | 1 | 1 |
| Geospatial Line of Business..... | - | 1 | - | - |
| GovBenefits.gov..... | 4 | 5 | 6 | 6 |
| Grants.gov..... | 3 | 3 | 3 | 3 |
| Human Resources Line of Business..... | 1 | 1 | 1 | 1 |
| Integrated Acquisition Environment - Loans and Grants..... | 6 | 6 | 8 | 8 |
| Integrated Acquisition Environment..... | 3 | 3 | 3 | 3 |
| Total, E-Gov..... | <u>55</u> | <u>54</u> | <u>50</u> | <u>50</u> |
| Agency Total..... | <u><u>1,436</u></u> | <u><u>1,550</u></u> | <u><u>1,141</u></u> | <u><u>1,123</u></u> |

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

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
FEDERAL CROP INSURANCE CORPORATION FUND

Lead-Off Tabular Statement

Current Law

| | |
|------------------------------|------------------------------|
| Budget Estimate, 2015..... | \$8,668,022,000 |
| 2014 Enacted..... | <u>9,960,045,000</u> |
| Change in Appropriation..... | <u><u>-1,292,023,000</u></u> |

Proposed Legislation

| | |
|---|-----------------------------|
| Budget Request, Current Law 2015..... | \$8,668,022,000 |
| Change Due to Proposed Legislation..... | <u>-691,600,000</u> |
| Net Request, 2015 Request..... | <u><u>7,976,422,000</u></u> |

Summary of Increases and Decreases
(Dollars in thousands)

| Program | 2012 Actual | 2013 Change | 2014 Change | 2015 Change | 2015 Estimate |
|---|-------------------------|--------------------------|--------------------------|--------------------------|-------------------------|
| Mandatory Appropriations: | | | | | |
| Premium Subsidy..... | 4,507,315 | +2,469,685 | +263,000 | -1,135,000 | 6,105,000 |
| Delivery Expense..... | 1,373,000 | -24,000 | -34,100 | +19,000 | 1,333,900 |
| Underwriting Gain..... | 1,669,000 | -1,669,000 | +1,343,145 | -280,992 | 1,062,153 |
| Federal Crop Insurance Act Initiatives..... | 55,860 | -16,860 | +23,000 | - | 62,000 |
| Farm Bill Adjustment..... | - | - | - | +104,969 | 104,969 |
| * Losses in Excess of Premium/Company Gain..... | - | +3,841,000 | -3,841,000 | - | - |
| Subtotal..... | <u>7,605,175</u> | <u>+4,600,825</u> | <u>-2,245,955</u> | <u>-1,292,023</u> | <u>8,668,022</u> |
| Total..... | <u><u>7,605,175</u></u> | <u><u>+4,600,825</u></u> | <u><u>-2,245,955</u></u> | <u><u>-1,292,023</u></u> | <u><u>8,668,022</u></u> |

*In 2013 there was a 1.57 loss ratio and the loss ratio is on this line. In 2014 and 2015 we expect a 1.0 loss ratio.

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Project Statement
Adjusted Appropriations Detail and Staff Years (SYs)
(Dollars in thousands)

| Program | 2012 Actual | | 2013 Actual | | 2014 Estimate | | Inc. or Dec. | | 2015 Estimate | |
|--|-------------|-----|-------------|-----|---------------|-----|----------------|-----|---------------|-----|
| | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs |
| Mandatory Appropriations: | | | | | | | | | | |
| Premium Subsidy..... | 4,507,315 | - | 6,977,000 | - | 7,240,000 | - | -1,135,000 | - | 6,105,000 | - |
| Delivery Expense..... | 1,373,000 | - | 1,349,000 | - | 1,314,900 | - | +19,000 | - | 1,333,900 | - |
| Underwriting Gain..... | 1,669,000 | - | - | - | 1,343,145 | - | -280,992 | - | 1,062,153 | - |
| Federal Crop Insurance Act Initiatives..... | 55,860 | - | 39,000 | - | 62,000 | - | - | - | 62,000 | - |
| Farm Bill Adjustment..... | - | - | - | - | - | - | +104,969 | - | 104,969 | - |
| Losses in Excess of Premium/Company Gain... | - | - | 3,841,000 | - | - | - | - | - | - | - |
| Subtotal..... | 7,605,175 | - | 12,206,000 | - | 9,960,045 | - | -1,292,023 | - | 8,668,022 | - |
| Total Adjusted Approp..... | 7,605,175 | - | 12,206,000 | - | 9,960,045 | - | -1,292,023 (1) | - | 8,668,022 | - |
| Rescissions, Transfers, and Seq. (Net)..... | | | | | | | | | | |
| | - | - | 2,984 | - | 3,996 | - | -3,996 | - | - | - |
| Total Appropriation..... | 7,605,175 | - | 12,208,984 | - | 9,964,041 | - | -1,296,019 | - | 8,668,022 | - |
| Sequestration..... | - | - | -2,984 | - | -3,996 | - | +3,996 | - | - | - |
| Bal. Available, SOY..... | 564,000 | - | 565,000 | - | 565,000 | - | - | - | 565,000 | - |
| Recoveries, Other (Net)..... | 5,000,641 | - | 8,809,000 | - | 4,533,000 | - | -802,868 | - | 3,730,132 | - |
| Total Available..... | 13,169,816 | - | 21,580,000 | - | 15,058,045 | - | -2,094,891 | - | 12,963,154 | - |
| Bal. Available, EOY..... | -564,000 | - | -565,000 | - | -565,000 | - | - | - | -565,000 | - |
| Total Obligations..... | 12,605,816 | - | 21,015,000 | - | 14,493,045 | - | -2,094,891 | - | 12,398,154 | - |

Project Statement
Obligations Detail and Staff Years (SYs)
(Dollars in thousands)

| Program | 2012 Actual | | 2013 Actual | | 2014 Estimate | | Inc. or Dec. | | 2015 Estimate | |
|---|-------------|-----|-------------|-----|---------------|-----|--------------|-----|---------------|-----|
| | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs | Amount | SYs |
| Mandatory Obligations: | | | | | | | | | | |
| Indemnities..... | 9,487,140 | - | 19,602,291 | - | 11,753,000 | - | -1,832,899 | - | 9,920,101 | - |
| Delivery Expense..... | 1,373,000 | - | 1,349,000 | - | 1,314,900 | - | +19,000 | - | 1,333,900 | - |
| Underwriting Gain..... | 1,669,816 | - | - | - | 1,343,145 | - | -280,992 | - | 1,062,153 | - |
| Federal Crop Insurance Act Initiatives..... | 55,860 | - | 44,780 | - | 62,000 | - | - | - | 62,000 | - |
| Program Related IT..... | 20,000 | - | 18,929 | - | 20,000 | - | - | - | 20,000 | - |
| Subtotal..... | 12,605,816 | - | 21,015,000 | - | 14,493,045 | - | -2,094,891 | - | 12,398,154 | - |
| Total Obligations..... | 12,605,816 | - | 21,015,000 | - | 14,493,045 | - | -2,094,891 | - | 12,398,154 | - |
| Bal. Available, EOY..... | 564,000 | - | 565,000 | - | 565,000 | - | - | - | 565,000 | - |
| Total Available..... | 13,169,816 | - | 21,580,000 | - | 15,058,045 | - | -2,094,891 | - | 12,963,154 | - |
| Sequestration..... | - | - | 2,984 | - | 3,996 | - | -3,996 | - | - | - |
| Bal. Available, SOY..... | -564,000 | - | -565,000 | - | -565,000 | - | - | - | -565,000 | - |
| Other Adjustments (Net) Farm Bill..... | -5,000,641 | - | -8,809,000 | - | -4,533,000 | - | +802,868 | - | -3,730,132 | - |
| Total Appropriation..... | 7,605,175 | - | 12,208,984 | - | 9,964,041 | - | -1,296,019 | - | 8,668,022 | - |

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Justification of Increases and Decreases

- (1) A decrease of \$1,292,023,000 is estimated for the Federal Crop Insurance Corporation (FCIC) Fund, (\$9,960,045,000 available in 2014).

Funding supports RMA’s mission to serve America’s agricultural producers through effective, market-based risk management tools and solutions to strengthen the economic stability of agricultural producers and rural communities. Funding also supports the achievement of USDA Strategic Goal to assist rural communities to create prosperity so they are self-sustaining, repopulating and economically thriving. Continuation of the program is critical if the agency is to continue to provide an actuarially sound risk management program.

The 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. The FCIC has zero staff years; justification for the salaries and expenses is in the Risk Management Agency description.

The funding request has incorporated the most recent changes from the Agricultural Act of 2014 (Farm Bill), including the following provisions:

- Supplemental Coverage Option (SCO), this gives farmers the option of supplementing their regular coverage so that 86 percent of their expected crop value is covered. The premium subsidy is 65 percent.
- Stacked Income Protection Plan (STAX), which is insurance exclusively for upland cotton. Farmers can elect coverage of up to 20 percent of expected county revenue, depending on the coverage level of their individual insurance policy. STAX payments begin when county revenue falls below 90 percent of its expected level. The premium subsidy is for this coverage is 80 percent, and may not be purchased on acres covered by SCO.
- Beginning farmer provisions, which include an exemption for beginning farmers from paying the \$300 administrative fee for catastrophic policies, provide beginning farmers, in certain instances, the ability to use the production history of entities they were previously employed with or helped managed, and reduce premiums for beginning farmers by ten percentage points during their first five years of farming; and
- Development of a whole farm policy or program by 2016, which will insure the revenue of farming and ranching operations that produce multiple agricultural products.

The funding request also reflects funds provided under the Farm Bill, including the following amounts:

- \$14 million for information technology, assuming the Acreage Crop Reporting Streamlining Initiative (ACRSI) project is substantially completed;
- \$9 million annually for reviews, compliance and integrity; and
- \$12.5 million for underserved crops and regions pilot programs.

FCIA Initiatives:

| | |
|--|---------------------|
| Section 522 - Reimbursement of 508(h) Submissions..... | \$20,000,000 |
| Section 515 - Data Mining and Information Technology [added \$14M for IT under section 515(k)(1)]..... | \$18,000,000 |
| Section 524 - Education and Risk Management Assist..... | \$10,000,000 |
| Section 516 - Reviews, Compliance and Integrity [added \$9M under section 516(b)(2)(C)]..... | <u>\$12,500,000</u> |
| Total, FCIA Initiatives..... | \$60,500,000 |
| Section 523 - Pilot Programs [added \$12.5M under section 523(k)]..... | \$33,500,000 |

The funding change is requested for the following items:

- a. A decrease of \$1,135,000,000 for premium subsidy (\$7,240,000 available in 2014).

The cost of the FCIC is driven by the price of commodities it insures. The commodity price is expected to decrease in 2015, when the commodity price decreases that causes less value of risk, making premium subsidy decrease.

- b. An increase of \$19,000,000 for delivery expense (\$1,314,900,000 available in 2014).

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. The 2011 Standard Reinsurance Agreement (SRA) limits the total amount of delivery expense paid to reinsured companies each year. However, as outlined in the SRA, the cap increases modestly over time. Therefore, the 2015 delivery expenses are \$2.3 million higher than in 2014, primarily due to the annual inflation adjustment of the cap.

- c. A decrease of \$280,992,000 for underwriting gains (\$1,343,145,000 available in 2014).

Underwriting gains are a reinsured company's share of net book premium that exceeds their share of net losses, or indemnities. Underwriting gains are expected to decrease based on the lower retained premium.

- d. An increase of \$104,969,000 for Farm Bill adjustments (\$0 available in 2014).

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Summary of Increases and Decreases - Proposed Legislation
(Dollars in thousands)

| <u>Item of Change</u> | <u>Current Law</u> | <u>Program Changes</u> | <u>President's Request</u> |
|--|--------------------|------------------------|----------------------------|
| Federal Crop Insurance Corporation Fund..... | \$8,668,022 | -\$691,600 | \$7,976,422 |

Explanation of Proposed Legislation:

The 2015 Budget proposes policies that are similar to those included in the 2014 Budget and recommended in the President's Plan for Economic Growth and Deficit Reduction, which includes five crop insurance proposals that will save an estimated \$14.3 billion over 10 years.

The proposals include programmatic changes that:

1. Establish a reasonable rate of return to participating crop insurance companies. A USDA commissioned study found that when compared to other private companies, crop insurance companies return should be around 12 percent, but that it is currently expected to be 14 percent. The Administration is proposing to lower the crop insurance companies' return to meet the 12 percent target. This proposal is expected to save about \$1.2 billion over 10 years.
2. Reduce the reimbursement rate of administrative and operating expenses. The current cap on administrative expenses to be paid to participating crop insurance companies is based on the 2010 premiums, which were among the highest ever. A more appropriate level for the cap would be based on 2006 premiums, neutralizing the spike in commodity prices over the last four years, but not harming the delivery system. The Administration, therefore, proposes setting the cap at \$0.9 billion adjusted annually for inflation. This proposal is expected to save about \$2.9 billion over 10 years.
3. Lower the subsidy paid for producer premium by 3 percentage points for policies where the Government subsidizes more than 50 percent of the premium. Producers with policies whose premium subsidies are 50 percent or less would not be affected by this change. Currently, the government subsidizes buy-up coverage at 62 percent on average. That level of a subsidy is no longer needed to boost or sustain participation. Participation has increased substantially in recent years and farmers have, by now, incorporated crop insurance into their business model. With that level of participation, the reduced premium levels will still provide a level of subsidy sufficient to incentivize participation, and the safety net will remain intact. This proposal is expected to save about \$3.8 billion over 10 years.
4. Reduce premium subsidy by 4 percentage points for revenue coverage that provides protection for upward price movements at harvest time. Producers will be able to continue to purchase affordable revenue coverage for potential upward price changes that may occur at time of harvest. This type of revenue coverage is the most expensive and provides producers with coverage that can fluctuate depending on price movement at time of harvest. The ability to have increased harvest price coverage seamlessly integrated into a crop insurance policy presents a convenience that approximates certain revenue protection available through private sector markets, and this proposal would shift more of the cost of this enhanced coverage from the taxpayer to the insured party, while still maintaining the availability and integrity of the policy. This proposal is expected to save about \$6.3 billion over 10 years.
5. Rescind the authority for funding of a pilot program for Wild Salmon (Section 523(a) of the Federal Crop Insurance Act). This proposal is expected to save about \$10 million over 10 years.

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Geographic Breakdown of Obligations and Staff Years
(Dollars in thousands and Staff Years (SYs))

| State/Territory | 2012 Actual | 2013 Actual | 2014 Estimate | 2015 Estimate |
|--------------------------|-------------|-------------|---------------|---------------|
| | Amount | Amount | Amount | Amount |
| Alabama..... | 51,425 | 30,608 | 18,396 | 15,650 |
| Alaska..... | 26 | 177 | 106 | 90 |
| Arizona..... | 16,764 | 26,642 | 16,013 | 13,622 |
| Arkansas..... | 154,945 | 93,112 | 55,963 | 47,608 |
| California..... | 130,135 | 119,880 | 72,052 | 61,295 |
| Colorado..... | 180,308 | 400,734 | 240,854 | 204,895 |
| Connecticut..... | 7,801 | 3,978 | 2,391 | 2,034 |
| Delaware..... | 9,561 | 15,982 | 9,606 | 8,172 |
| Florida..... | 89,066 | 54,355 | 32,669 | 27,792 |
| Georgia..... | 199,840 | 60,194 | 36,179 | 30,778 |
| Hawaii..... | 764 | 140 | 84 | 71 |
| Idaho..... | 46,166 | 34,236 | 20,577 | 17,505 |
| Illinois..... | 423,936 | 3,135,354 | 1,884,450 | 1,603,106 |
| Indiana..... | 276,091 | 1,298,419 | 780,392 | 663,881 |
| Iowa..... | 293,781 | 2,046,614 | 1,230,082 | 1,046,434 |
| Kansas..... | 1,100,172 | 1,560,127 | 937,687 | 797,692 |
| Kentucky..... | 116,563 | 420,204 | 252,556 | 214,850 |
| Louisiana..... | 59,393 | 32,089 | 19,287 | 16,407 |
| Maine..... | 9,453 | 6,600 | 3,967 | 3,375 |
| Maryland..... | 31,035 | 28,607 | 17,194 | 14,627 |
| Massachusetts..... | 3,915 | 2,224 | 1,337 | 1,137 |
| Michigan..... | 59,911 | 232,751 | 139,891 | 119,006 |
| Minnesota..... | 389,546 | 517,163 | 310,832 | 264,426 |
| Mississippi..... | 137,128 | 91,545 | 55,022 | 46,807 |
| Missouri..... | 490,055 | 1,125,035 | 676,183 | 575,230 |
| Montana..... | 171,471 | 10,115 | 6,079 | 5,171 |
| Nebraska..... | 300,313 | 1,199,103 | 720,700 | 613,101 |
| Nevada..... | 1,321 | 4,952 | 2,976 | 2,532 |
| New Hampshire..... | 297 | 547 | 329 | 280 |
| New Jersey..... | 3,191 | 3,993 | 2,400 | 2,042 |
| New Mexico..... | 57,081 | 57,930 | 34,818 | 29,620 |
| New York..... | 44,010 | 75,223 | 45,211 | 38,461 |
| North Carolina..... | 350,918 | 88,124 | 52,965 | 45,057 |
| North Dakota..... | 1,274,223 | 619,046 | 372,067 | 316,518 |
| Ohio..... | 121,959 | 399,393 | 240,048 | 204,209 |
| Oklahoma..... | 300,042 | 381,795 | 229,471 | 195,212 |
| Oregon..... | 18,197 | 34,185 | 20,546 | 17,479 |
| Pennsylvania..... | 62,328 | 26,053 | 15,659 | 13,321 |
| Rhode Island..... | 176 | 83 | 50 | 43 |
| South Carolina..... | 69,022 | 32,411 | 19,480 | 16,572 |
| South Dakota..... | 436,197 | 1,142,242 | 686,525 | 584,028 |
| Tennessee..... | 75,575 | 140,177 | 84,251 | 71,673 |
| Texas..... | 1,737,430 | 2,001,893 | 1,203,203 | 1,023,568 |
| Utah..... | 5,292 | 6,869 | 4,128 | 3,512 |
| Vermont..... | 6,016 | 2,905 | 1,746 | 1,485 |
| Virginia..... | 43,596 | 49,201 | 29,571 | 25,156 |
| Washington..... | 60,351 | 60,736 | 36,504 | 31,054 |
| West Virginia..... | 1,684 | 624 | 375 | 319 |
| Wisconsin..... | 52,663 | 436,508 | 262,356 | 223,187 |
| Wyoming..... | 16,277 | 24,078 | 14,472 | 12,311 |
| Undistributed a/..... | 3,118,406 | 2,880,044 | 3,593,345 | 3,125,753 |
| Obligations..... | 12,605,816 | 21,015,000 | 14,493,045 | 12,398,154 |
| Bal. Available, EOY..... | 564,000 | 565,000 | 565,000 | 565,000 |
| Total, Available..... | 13,169,816 | 21,580,000 | 15,058,045 | 12,963,154 |

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

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Classification by Objects
(Dollars in thousands)

| | 2012 | 2013 | 2014 | 2015 | |
|----------------|---|-------------------|-------------------|-------------------|-------------------|
| | <u>Actual</u> | <u>Actual</u> | <u>Estimate</u> | <u>Estimate</u> | |
| Other Objects: | | | | | |
| 25 | Delivery Expenses..... | 1,373,000 | 1,349,000 | 1,314,900 | 1,333,900 |
| 25.1 | Federal Crop Insurance Act Initiatives..... | 55,860 | 44,780 | 62,000 | 62,000 |
| 25.2 | Underwriting Gain/Losses..... | 1,669,816 | - | 1,343,145 | 1,062,153 |
| 25.3 | Program Related IT | 20,000 | 18,929 | 20,000 | 20,000 |
| 42 | Indemnities..... | 9,487,140 | 19,602,291 | 11,753,000 | 9,920,101 |
| | Total, Other Objects..... | <u>12,605,816</u> | <u>21,015,000</u> | <u>14,493,045</u> | <u>12,398,154</u> |
| 99.9 | Total, new obligations..... | <u>12,605,816</u> | <u>21,015,000</u> | <u>14,493,045</u> | <u>12,398,154</u> |

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION

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, FCIA, (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. RMA's mission is to serve America's agricultural producers through effective, market-based risk management tools and solutions to strengthen the economic stability of agricultural producers and rural communities. RMA directly supports the achievement of the USDA Strategic Goal to "Assist rural communities to create prosperity so they are self-sustaining, repopulating and economically thriving". RMA's 2011-2015 Strategic Plan is aligned with the USDA 2010-2015 Strategic Plan.

The Federal Crop Insurance Corporation (FCIC) is a wholly owned government corporation created February 16, 1938 to carry out the FCIA (7 U.S.C. 1503). FCIA was amended by Public Law (P.L.) 96-365, dated September 26, 1980, to provide for nationwide expansion of varying comprehensive plans 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 and, for some commodities like livestock, price coverage is available that protects producers against price or margin decreases.

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 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.

Current Activities:

Premium Rate Revisions - Premium Rate Revisions will be applied to apples, barley, corn, cotton (upland and extra-long staple), grain sorghum, rice, soybeans, and wheat for 2014. This is part of RMA's ongoing effort to improve crop insurance premium rating. The revisions take into consideration recommendations of an independent study completed in 2011.

Livestock Insurance Underwriting Capacity - Expenditures for administrative and operating subsidy and premium subsidy for the livestock insurance products is limited by the Federal Crop Insurance Act to \$20 million per year. The livestock insurance programs utilized almost \$12 million of the \$20 million available for funding in 2013. Livestock Gross Margin for Dairy Cattle (LGM-Dairy) accounted for \$9.9 million of the total. For 2014, \$20 million again became available for livestock insurance expenses. By mid-November 2013, nearly \$986,341 of the total available funding had already been used, with LGM-Dairy accounting for \$411,473 of that amount.

New Crop Insurance Programs - In 2013, two new privately developed crop insurance programs, Downed Rice Endorsement and Machine Harvested Cucumbers, were approved under the authorities provided by section 508(h) of the FCIA and were made available to producers for the 2014 crop year. Five other privately developed products were approved for expansion to producers in additional states and counties: APH Olive, Camelina, Pulse Crop Revenue, Fresh Market Beans and Louisiana Sweet Potato. There are three additional privately developed products currently under the FCIC Board of Directors review process along with four Concept Proposals the FCIC Board has approved for reimbursement of a portion of research and development expenses that are targeted to be available to producers in 2015. Lastly, RMA contracts for the development of new or improved programs subject to FCIC Board approval. One of these new programs, for Tart Cherries, was developed and approved by the FCIC Board for sale to producers beginning with the 2014 crop year, and another program, the Area Risk Protection Insurance for Rice, was approved but will not be available until the 2015 crop year.

National Agricultural Statistics Service (NASS) Organic Production and Price Survey - RMA will again be working with the NASS to collect 2014 production and price data from certified organic growers through an interagency agreement. Previously, NASS conducted the 2011 USDA Certified Organic Production Survey using RMA funding to gather detailed production and price information by surveying all certified organic farming operations within USDA's organic registry. Where sufficient data was available, the additional detailed information allowed RMA to expand availability of organic prices.

Acreage Crop Reporting Streamlining Initiative (ACRSI) - The ACRSI project continues to make progress towards standardizing data elements across USDA agencies to support streamlined acreage reporting solutions for USDA programs, including on-line self-service tools. A web-based acreage reporting application was pilot tested on a limited basis for 2013 spring crops. Feedback from participants and other lessons learned are being used to alter and improve the application. Agencies participating in the ACRSI include RMA, Farm Service Agency (FSA), Natural Resources Conservation Service (NRCS), and NASS.

Selected Examples of Recent Progress:

The Area Risk Protection Insurance (ARPI) - The ARPI final rule was published in June of 2013, effective for the 2014 and the succeeding crop year. ARPI combines and replaces Group Risk Plan (GRP) and Group Risk Income Protection (GRIP) into one insurance policy. Under ARPI there are three plans of insurance that are available including Area Revenue Protection, Area Revenue Protection with the Harvest Price Exclusion, and Area Yield Protection. Depending on the plan of insurance ARPI provides protection against widespread loss of revenue or widespread loss of yield in a county. ARPI includes crop provisions for barley, corn, cotton, forage, grain sorghum, peanuts, soybeans, and wheat. ARPI provides clarity, simplicity, transparency, and the reduction of duplication for producers and agents as compared to GRP and GRIP.

Contract Price Addendum - RMA has taken actions to expand organic coverage. Beginning in 2014, new contract price options will be available to organic producers who grow crops under guaranteed contracts, allowing them to use prices established in those contracts as their "price election" in place of the RMA prices.

Cover Crop Management and Recognition - RMA made changes to provide more flexibility for cover crop management due to changing weather conditions and changes in cover crop practices. These changes were in place for producers planting crops in the fall of 2013 for 2014 spring planted crops. RMA, NRCS, FSA and conservation groups worked together to evaluate current cover crop rules requiring a cover crop be terminated by a specific date or growth stage. The changes will make it easier for producers to take advantage of the conservation benefits that cover crops provide while remaining in compliance with Federal crop insurance rules.

Improper Payment Rate – The improper payment rate reported in the 2013 Corrective Action Plan for the Federal crop insurance program was 5.23 percent. This 5.23 percent error rate represents the weighted average of indemnity errors identified in the 2009, 2010, and 2011 crop year policy samples. Although this is in line with RMA historical error rates of around 5 percent, it is higher than the 4 percent target. One company had grossly underestimated the resources it needed to address the much larger crop insurance claim load for the 2011 crop year, and RMA found excessive errors in a high percentage of this company's sample of claims. This company is currently under close monitoring, pending additional corrective actions and operational and organizational improvements.

Risk Management Education Programs - One Farm Bill directive is to increase FCIC's crop insurance education in certain areas of the country that have been historically underserved by the Federal Crop Insurance Program. The Secretary determined that 16 States met underserved criteria. These States are Maine, Massachusetts, Connecticut, Wyoming, New Jersey, New York, Delaware, Nevada, Pennsylvania, Vermont, Maryland, Utah, Rhode Island, New Hampshire, Hawaii and West Virginia. For 2013, RMA awarded 17 cooperative agreements for \$5 million in these 16 States for crop insurance education to underserved producers under the "Crop Insurance in Targeted States Program". Additionally, RMA awarded 60 cooperative agreements for \$5 million in 45 States for crop insurance education and risk management training under the "Risk Management Education Partnership Program".

Clean Audit Opinion - Independent auditors reported a clean audit opinion to the Office of the Inspector General for RMA and FCIC for fiscal years 2012 and 2013. 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.

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. RMA was established in 1996 within the United States Department of Agriculture (USDA) to improve the economic stability of agriculture and rural communities through a sound system of crop insurance and to provide the means for the research and experience that is helpful in devising and establishing crop insurance. The mission of the agency is serving America’s agricultural producers through effective, market-based risk management tools and solutions to strengthen the economic stability of agricultural producers and rural communities. 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 four strategic goals and ten management initiatives that contribute to one of the Secretary's Strategic Goals.

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

| Agency Strategic Goals | Agency Objectives | Programs that Contribute | Key Outcome |
|--|---|--------------------------|--|
| Increase the availability and effectiveness of Federal crop insurance as a risk management tool while enhancing and protecting the soundness of the program. | Ensure that Federal crop insurance products are fundamentally & actuarially sound | Federal Crop Insurance | Increase the value of risk protection provided to agricultural producers through the Federal crop insurance program. |
| | Facilitate & foster development of new insurance products | | Increase the availability and market penetration for Pasture, Rangeland and Forage insurance products. |
| | Complete the work of the USDA Acreage Crop Reporting Streamlining Initiative (ASCRI) and implement the identified program simplification changes to allow producers to report common USDA program data one time through the reporting portal of their choosing. | | Fewer producer identity discrepancies between RMA & Farm Service Agency Comprehensive Information Management System (CIMS) |

| Agency Strategic Goals | Agency Objectives | Programs that Contribute | Key Outcome |
|--|--|--|---|
| Ensure a fair and effective risk management product delivery system. | Identify and address barriers to the use of crop insurance. | Federal Crop Insurance Regional Offices | Increase the actual value of risk protection to agricultural producers in underserved states through FCIC sponsored crop insurance. |
| | Ensure civil rights compliance within the agency and with the Approved Insurance Providers, their Agents and Loss Adjusters. | | The Agency and the Approved Insurance Providers, their Agents and Loss Adjusters comply with civil rights laws & regulations. |
| | Provide producers customized insurance offers through a written agreement that makes available insurance coverage for unique regional needs tailored to distinctive types and practices. | | Provision of customized insurance offers issued through written agreement from the Regional Offices. |
| Education and Outreach to stakeholders to ensure access to risk management tools and products. | Continue providing risk management education and other tools for producers, especially for targeted states and beginning, small, and limited resource farmers and ranchers. | Federal Crop Insurance Risk Management Education | Producers provided with crop insurance and other risk management education. |
| Safeguard the integrity of the Federal crop insurance program. | Ensure Approved Insurance Providers comply with all FCIC regulations. | Federal Crop Insurance Regional Compliance Offices | Approved Insurance Providers comply with all FCIC regulations. |
| | Ensure large claims are valid and good farming practices are followed. | | Large claims are valid and good farming practices are followed. |
| | Reduce the rate of improper payments. | | Improper Payments are reduced. |

Key Performance Measures and Targets:

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 IPERA, 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 creating 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 outcomes and performance measures under each of the USDA's strategic goals as outlined below:

| Measure | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Actual | 2014 Target | 2015 Target |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| a. Annual normalized value of risk protection provided to agricultural producers through the Federal crop insurance program. (in thousands) | \$55,000,000 | \$56,300,000 | \$62,100,000 | \$66,000,000 | \$62,700,000 | \$63,000,000 |
| b. Dollars (in thousands) * | \$12,111,125 | \$9,843,595 | \$12,680,548 | \$21,083,766 | \$14,564,541 | \$12,474,933 |

*Line b. represents obligations required to provide the value of line item a. in risk protection including indemnities.

Key Outcome: Increase the value of risk protection provided to agricultural producers through the Federal crop insurance program.

Key Performance Measure and Targets:

The value of risk protection denotes the amount of insurance in effect protecting and stabilizing the agricultural economy. USDA’s value projection target is based on projections developed in November 2010, forecasted participation, and conditions current at that time. The baseline model uses the latest information from the crop insurance program and combines it with USDA baseline projections for major crops. These crops include corn, wheat, soybeans, sorghum, barley, rice, and cotton. In making the projections, the model holds various factors constant, such as premium rates and average coverage level. The model assumes that all non-major crops produce yields consistent with USDA projections for major crops. The baseline model is a tool for developing budget projections contained in Presidential budget requests. The budget and performance projections for the crop insurance program depend on baseline projections from numerous USDA agencies.

The following table presents both the Actual and Normalized Value of risk protection provided to agricultural producers through the Federal crop insurance program. Normalized value uses a five year baseline to help account for the recent steep increases in commodity prices.

| Measure | 2009 Actual | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Actual | 2014 Target | 2015 Target |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Value of FCIC risk protection coverage provided through FCIC sponsored insurance (in Billions) | \$79.60 | \$77.90 | \$110.90 | \$116.20 | \$122.80 | \$83.10 | \$83.90 |
| Normalized value of FCIC risk protection coverage provided through FCIC sponsored insurance (in Billions) | \$53.90 | \$55.00 | \$56.30 | \$62.10 | \$66.00 | \$62.70 | \$63.00 |

Selected Past Accomplishments toward Achievement of the Key Outcome:

Federal Crop Insurance:

- Premium Rate Revisions were applied to apples, barley, corn, cotton (upland and extra-long staple), grain sorghum, rice, soybeans, and wheat for 2014. This is part of RMA's ongoing effort to improve crop insurance premium rating. The revisions take into consideration recommendations of an independent study completed in 2011.
- New Crop Insurance Programs – Downed Rice Endorsement, Machine Harvested Cucumbers, APH Olive, Camelina, Pulse Crop Revenue, Fresh Market Beans, Louisiana Sweet Potato & Tart Cherries.
- The Acreage Crop Reporting Streamlining Initiative (ACRSI) project continued to progress towards developing streamlined acreage reporting solutions across USDA programs, including on-line self-service tools. Agencies participating in the ACRSI include RMA, FSA, Natural Resources Conservation Service, and National Agricultural Statistics Service.

Selected Accomplishments Expected at the FY 2015 Proposed Resource Level:

- Maintain the actuarial soundness of the Federal crop insurance program.
- Premium rate revisions of the crop insurance programs will continue in 2015.
- New products will continue to be developed and brought to market.

Key Outcome: Provision of customized insurance offers issued through written agreements from the Regional Offices.

Key Performance Measure and Targets:

Written agreements provide producers customized insurance offers that make available insurance coverage for unique local/regional needs tailored to distinctive types and practices. These written agreements rely on information exchanges between the Approved Insurance Providers (AIP) and the RMA Insurance Services Regional Offices. The quality of this exchange is measured by the number of AIP submissions that required additional information for a Regional Office to issue an insurance offer.

| Measure | 2009 Actual | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Actual | 2014 Target | 2015 Target |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Number of customized insurance offers issued through a written agreement from the Regional Offices. | 18,717 | 12,163 | 21,051 | 29,393 | 18,821 | 13,257 | 12,163 |
| Percentage of written agreement requests received by the Regional Offices from Approved Insurance Providers with discrepancies that required additional information, quantified through RMA Headquarters review of underwriting operations. | 12.00% | 17.00% | 24.00% | 36.00% | 3.90% | 8.30% | 7.50% |

Selected Past Accomplishments toward Achievement of the Key Outcome:

- Provided crop insurance risk coverage in areas where production of a particular crop is not of significant size for a "county program".
- Provided crop insurance risk coverage in high risk area such as flood plains where individual farm rates are different than the "county program".
- Provided crop insurance risk coverage for specialty crops without 'county program' so that fresh markets can thrive in these locations.
- Implemented the RMA 2013 Signature Process Improvement project, Regional Office Exceptions (ROE) – Electronic Written Agreements. This IT app is streamlining and eliminating the costs and errors of processing approximately 20,000 annual requests for exceptions to the standard crop insurance offer and validating the resulting policies consistent with all other crop insurance policies.

Selected Accomplishments Expected at the FY 2015 Proposed Resource Level:

- By utilizing the RMA 2013 Signature Process Improvement project, Regional Office Exceptions (ROE) – Electronic Written Agreements, RMA will continue to provide the following to producers while reducing costs, reducing waste, reducing errors, and improving program integrity.
- Crop insurance risk coverage in areas where production of a particular crop is not of significant size for a "county program".
- Crop insurance risk coverage in areas such as flood plains where individual farm rates are different than the "county program".
- Crop insurance risk coverage for specialty crops without "county programs" so that fresh markets can thrive in these locations.

Key Outcome: Producers provided with crop insurance and other risk management education.

Key Performance Measure and Targets:

RMA provides grants to other entities to help provide risk management education and other tools for producers, especially for targeted states and beginning, small, and limited resource farmers and ranchers. RMA Insurance Services Regional Offices also provide Risk Management.

| Measure | 2009 Actual | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Actual | 2014 Target | 2015 Target |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Number of producers reached with crop insurance education and risk education training through the Risk Management Education Partnerships Program and the Targeted States Program. | 25,000 | 28,000 | 79,531 | 81,000 | 48,403 | 40,263 | 44,000 |
| The number of producer and program stakeholders provided information on crop insurance and other risk management tools and products by Regional Offices not through partnership agreements. | 41,730 | 106,606 | 92,293 | 33,395 | 104,373 | 48,500 | 50,500 |

Selected Past Accomplishments toward Achievement of the Key Outcome:

- For FY 2013, Cooperative Agreements totaling approximately \$10 million in 45 States were awarded from two Risk Management Education programs: (1) Crop Insurance in Targeted States Program and (2) Risk Management Education Partnerships Program.
- RMA partnered with qualified entities such as Universities (including 1862, 1890, 1994 land grant colleges and universities), Hispanic Serving Institutions (HSIs), not-for-profit organizations, for-profit small businesses, producer groups, faith based community organizations, and agricultural technical schools to provide training, information and outreach activities.
- Projects funded include, but not limited to, crop insurance education and risk management training to minority producers, women, veteran producers; livestock education to tribal producers; crop insurance education and financial planning to small, limited resource producers; and, crop insurance education and good agricultural practices to Hispanic producers growing specialty crops (which includes translating RMA materials into Spanish).

Selected Accomplishments Expected at the FY 2015 Proposed Resource Level:

- Increased awareness of crop insurance participation to address financial and production risk.
- Continued translation of crop insurance information into Spanish and Hmong languages.
- Increased emphasis of educational activities in the areas of specialty crops, organic production, and farm benchmarking
- Continued educational efforts through the USDA StrikeForce for rural growth and opportunity.

Key Outcome: Improper Payments are reduced.

Key Performance Measure and Targets:

The Improper Payment Rate reported in the 2013 Corrective Action Plan for the Federal crop insurance program was 5.23 percent. This 5.23 percent error rate represents the weighted average of indemnity errors identified in the 2009, 2010, and 2011 crop year policy samples. Although this is in line with RMA historical error rates of around 5 percent, it is higher than the 4 percent target for 2015. One company had grossly underestimated the resources it needed to address the much larger crop insurance claim load for the 2011 crop year, and RMA found excessive errors in a high percentage of this company’s sample of claims. This company is currently under close monitoring, pending additional corrective actions and operational and organizational improvements.

| Measure | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|--------|--------|--------|--------|--------|--------|--------|
| | Actual | Actual | Actual | Actual | Actual | Target | Target |
| Improper Payment Rate for the Federal crop insurance program | 5.97% | 6.05% | 4.72% | 4.08% | 5.23% | 4.70% | 4.30% |

Selected Past Accomplishment toward Achievement of the Key Outcome:

- Data mining activities continue to show significant cost avoidance savings each year by identifying and spot checking the crop insurance program most anomalous participants based on their history of filing claims.
- RMA, the Farm Service Agency, and other USDA agencies, as well as approved insurance providers are now using the Comprehensive Information Management System to identify common and unique producer and crop information reported to both RMA and FSA; aid in information reconciliation; and reduce the reporting burdens of farmers, ranchers, producers, RMA, FSA, and crop insurance providers.
- RMA is following the Corrective Action Plan and is working with an independent contractor to analyze the improper payment process; and fraud prevention and detection activities.

Selected Accomplishments Expected at the FY 2015 Proposed Resource Level:

- Continue implementation of the RMA’s IT Modernization initiative to allow the agency to more easily accommodate potential changes or initiatives with the crop insurance program and provide improved edits and controls on company provided program data to further control improper payments.
- Continue to expand the agency’s strategic data acquisition and analysis efforts by incorporating additional remote sensing and geospatial analyses to its data warehouse and data mining initiative. This will allow the use of data and analysis tools to be expanded to include underwriting and additional program integrity issues throughout the program.
- Continue to build the RMA database of randomly reviewed policies to evaluate trends in the RMA program error rate. RMA is working with an independent contractor to redesign its sampling plan.
- RMA will continue with the Corrective Action Plan.

RISK MANAGEMENT AGENCY
Strategic Goal Funding Matrix
(Dollars in thousands)

| Program / Program Items | 2012 Actual | 2013 Actual | 2014 Estimate | Inc. or Dec. | 2015 Estimate |
|--|----------------|----------------|------------------|-----------------|------------------|
| Department Strategic Goal: Assist Rural Communities to Create Prosperity So They Are Self Sustaining, Repopulating, and Economically Thriving | | | | | |
| Salaries and Expenses..... | \$74,732 | \$68,766 | \$71,496 | +5,283 | \$76,779 |
| Staff Years..... | 470 | 446 | 455 | +12 | 467 |
| Federal Crop Insurance Corporation Fund..... | 12,605,816 | 21,015,000 | 14,493,045 | -2,094,891 | 12,398,154 |
| Total Costs, All Strategic Goals..... | 12,680,548 | 21,083,766 | 14,564,541 | -2,089,608 | 12,474,933 |
| Total FTEs, All Strategic Goals..... | 470 | 446 | 455 | +12 | 467 |

RISK MANAGEMENT AGENCY
Full Cost by Department Strategic Goal
(Dollars in thousands)

Department Strategic Goal: Assist Rural Communities to Create Prosperity So They Are Self Sustaining, Repopulating, and Economically Thriving

| Program / Program Items | 2012 Actual | 2013 Actual | 2014 Estimate | 2015 Estimate |
|---|-------------|-------------|---------------|---------------|
| <u>Salaries and Expenses</u> | | | | |
| Salaries and Expenses..... | \$74,732 | \$68,766 | \$71,496 | \$76,779 |
| Total Costs, Strategic Goal..... | 74,732 | 68,766 | 71,496 | 76,779 |
| Total Staff Years, Strategic Goal..... | 470 | 446 | 455 | 467 |
| <u>Federal Crop Insurance Corporation Fund</u> | | | | |
| Total Costs..... | 12,605,816 | 21,015,000 | 14,493,045 | 12,398,154 |
| Performance Measure: | | | | |
| Annual normalized value of risk protection provided to agricultural producers through the Federal Crop Insurance program. | 62,100,000 | 66,000,000 | 62,700,000 | 63,000,000 |
| Cost per measure (unit cost)..... | 12,680,548 | 21,083,766 | 14,564,541 | 12,474,933 |
| Total Costs, All Strategic Goals..... | 12,680,548 | 21,083,766 | 14,564,541 | 12,474,933 |
| Total FTEs, All Strategic Goals..... | 470 | 446 | 455 | 467 |