

2016 Explanatory Notes  
Risk Management Agency

Contents

	<u>Page</u>
Purpose Statement.....	25-1
Statement of Available Funds and Staff Years.....	25-4
Permanent Positions by Grade and Staff Year Summary.....	25-5
Motor Vehicle Fleet Data.....	25-6
Salaries and Expenses	
Appropriations Language.....	25-7
Lead-off Tabular Statement.....	25-8
Summary of Increases and Decreases.....	25-8
Project Statement.....	25-9
Justification of Increases and Decreases.....	25-10
Geographic Breakdown of Obligations and Staff Years.....	25-12
Classification by Objects.....	25-13
Shared Funding Projects.....	25-14
Federal Crop Insurance Corporation Fund	
Appropriations Language.....	25-16
Lead-off Tabular Statement.....	25-17
Summary of Increases and Decreases.....	25-17
Project Statement.....	25-18
Justification of Increases and Decreases.....	25-19
Proposed Legislation.....	25-20
Geographic Breakdown of Obligations and Staff Years.....	25-21
Classification by Objects.....	25-22
Status of Programs.....	25-23
Summary of Budget and Performance	
Statement of Goals and Objectives.....	25-26
Key Performance Outcomes and Measures.....	25-28
Full Cost by Strategic Objective.....	25-34

## 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 a variety of actuarially sound crop and livestock insurance products and funding for risk management education programs.

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. Legislation, including the recent Farm Bill, 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 monitors, evaluates, reviews and updates risk management products, reviews and implements private sector products approved by the FCIC Board of Directors to be reinsured by FCIC, and ensures 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 the Supplemental Coverage Option, the Stacked Income Protection Program, Whole Farm Revenue Protection, New and Beginning Farmer and Rancher provisions, Actual Production History Yield Exclusion Provisions, Coverage Level and Enterprise Units by Irrigation Practice provisions, improved coverage for Organic producers, Peanut Revenue coverage, and trend adjusted Actual Production History. Education and non-insurance risk management assistance initiatives and tools further contribute to the producers' ability to protect their financial stability. Through the 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, 2014, RMA had 427 full-time permanent employees with staff located throughout the Nation as follows: 69 in Washington, D.C.; 162 in Kansas City, MO; 128 in ROs; and 68 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 2014.

<b>OIG/GAO AUDITS COMPLETED IN FISCAL YEAR 2014</b>		
<b>REPORT TITLE</b>	<b>IDENTIFYING NUMBER</b>	<b>DATE ISSUED</b>
<b>OIG USDA Office of the Chief Information Officer, FY 2013, Federal Information Security Management ACT (FISMA)</b> - 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.	OIG 50501-0004-12	12/13/2013
<b>OIG Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2013 and 2012</b> - The objective 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	1/10/2014
<b>OIG Improper Payments Elimination and Recovery Act of 2010 Compliance Review for Fiscal year 2013</b> -The objective review of USDA's fiscal year (FY) 2013 Agency Financial Report (AFR) and accompanying information to determine whether the agency was compliant with the Improper Payments Information Act of 2002, as amended in 2010.	OIG 50024-0005-11	4/17/2014
<b>USDA Farm Programs: Farmers Have Been Eligible for Multiple Programs and Further Efforts Could Help Prevent Duplicate Payments</b> - The objective was to examine the potential for overlap and duplication among USDA's farm programs. This report examines (1) USDA programs that provided financial assistance to farms during the effective period of the 2008 farm bill (2008 through 2013) and the potential for overlap and duplication among these programs; (2) the extent that farms received payments from farm programs and the amount of these payments; and (3) the internal controls USDA has designed to help prevent duplicative payments for the same crop losses to the same farms.	GAO 361465	7/29/2014
<b>OIG Executive Order 13520, Reducing Improper Payments, Fiscal Year 2013 High - Dollar Overpayment Report Review</b> - The objective was to review the agency's quarterly high-dollar overpayments reports. The objectives of our audit were to assess the level of risk associated with the applicable programs, determine the extent of oversight warranted, and provide the Secretary of Agriculture with recommendations, if any, for modifying USDA's recovery and corrective action plans.	OIG 50024-0006-11	8/19/2014
<b>Crop Insurance: Considerations in Reducing Federal Premium Subsidies</b> - The objective was to look at the cost of the crop insurance program. GAO examined (1) trends in federal crop insurance costs and farm sector income and wealth from 2003 through 2012 and (2) the potential savings to the government and impacts on farmers, if any, of reducing federal premium subsidies for revenue policies.	GAO 361487	9/8/2014
<b>RMA: Rainfall and Vegetation Index Pilot Program - Pasture, Rangeland, Forage</b> - The objective was to evaluate RMA's methodology for setting county base values for PRF covered under the rainfall and vegetation index pilot plan of insurance.	OIG 05601-0003-31	9/16/2014
<b>OIG USDA's Implementation of Cloud Computing Services</b> - The objective was to evaluate USDA agencies' efforts to adopt cloud computing technologies and review contracts that agencies have issued for cloud services for compliance with applicable standards.	OIG 50501-0005-12	9/30/2014

<b>OIG/GAO AUDITS IN PROGRESS DURING FISCAL YEAR 2014</b>		
<b>REPORT TITLE</b>	<b>IDENTIFYING NUMBER</b>	<b>START DATE</b>
<b>OIG Review of USDA Contractor Payments</b> - 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.	OIG 50901-0001-13	11/19/2012
<b>OIG USDA Office of the Chief Information Officer, FY 2013, Federal Information Security Management ACT</b> - 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.	OIG 50501-0004-12	5/7/2013
<b>OIG Risk Management Agency National Program Operations Reviews</b> - The objectives 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.	OIG 05601-0001-22	6/25/2013
<b>GAO Crop Insurance Income Limits</b> - The objective is to find the impact on the crop insurance program of applying income limits similar to those in other farm programs, to crop insurance subsidies.	GAO 361541	10/30/2013
<b>GAO Crop Insurance Costs with Higher Production Risks</b> - The objective is to find out the cost of the Crop Insurance Program on High Risk Lands.	GAO 361542	10/30/2013
<b>OIG Beginning Farmers and Ranchers</b> - The objective is to evaluate the Department's activities related to beginning farmer and rancher benefits.	OIG 50601-0003-31	1/16/2014
<b>OIG FCIC/RMA Financial Statements for Fiscal Years 2014</b> - The objective is to present the auditors' opinion on the RMA and Federal Crop Insurance Corporation principal financial statements.	OIG 05401-0004-11	4/3/2014
<b>OIG USDA Contracting Officer's Representative Oversight Project</b> - The objective is to gain an understanding of current practices pertaining to contracting officer's representatives (CORs) in the U.S. Department of Agriculture's (USDA) agencies, and staff offices.	OIG 50099-0002-12	8/27/2014
<b>OIG Risk Management Agency: Crop Insurance Compliance Case Management</b> - The objective is to evaluate the Risk Management Agency (RMA) crop insurance compliance case management. Specifically, examine the adequacy and effectiveness of RMA's processes related to (1) establishing cases, (2) monitoring and tracking cases, (3) monitoring and tracking findings, and (4) final disposition of cases.	OIG 05601-0004-31	9/9/2014

RISK MANAGEMENT AGENCY

Available Funds and Staff Years (SYs)

(Dollars in thousands)

Item	2013 Actual		2014 Actual		2015 Estimate		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Salaries and Expenses:								
Discretionary Appropriations.....	\$74,900	446	\$71,496	429	\$74,829	450	\$76,946	462
Federal Crop Insurance Fund								
Mandatory Appropriations.....	12,208,984	-	8,760,384	-	8,930,502	57	8,175,224	57
Rescission.....	-2,028	-	-	-	-	-	-	-
Sequestration.....	-6,752	-	-2,772	-	-3,678	-	-	-
Transfers In.....	38	-	5,606	-	4,000	-	4,000	-
Transfers Out.....	-	-	-5,168	-	-5,000	-	-5,000	-
Adjusted Appropriation.....	12,275,142	446	8,829,546	429	9,000,653	507	8,251,170	519
Balance Available, SOY.....	565,000	-	565,000	-	568,000	-	563,000	-
Other Adjustments (Net).....	8,809,000	-	4,043,343	-	3,978,358	-	3,534,000	-
Total Available.....	21,649,142	446	13,437,889	429	13,547,011	507	12,348,170	519
Lapsing Balances.....	-376	-	-463	-	-	-	-	-
Balance Available, EOY.....	-565,000	-	-568,000	-	-563,000	-	-562,000	-
Obligations.....	21,083,766	446	12,869,426	429	12,984,011	507	11,786,170	519
Total, RMA.....	21,083,766	446	12,869,426	429	12,984,011	507	11,786,170	519

RISK MANAGEMENT AGENCY  
Permanent Positions by Grade and Staff Year Summary

Item	2013 Actual			2014 Actual			2015 Estimate			2016 Estimate		
	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total
SES.....	3	1	4	3	1	4	4	1	5	4	1	5
GS-15.....	10	4	14	8	4	12	10	5	15	11	5	16
GS-14.....	6	35	41	7	35	42	9	34	43	9	34	43
GS-13.....	26	136	162	27	140	167	29	176	205	30	176	206
GS-12.....	10	124	134	9	114	123	8	147	155	8	157	165
GS-11.....	3	18	21	2	10	12	2	17	19	2	17	19
GS-10.....	1	-	1	1	-	1	1	-	1	1	-	1
GS-9.....	3	4	7	2	23	25	2	18	20	2	18	20
GS-8.....	4	6	10	5	5	10	5	6	11	5	6	11
GS-7.....	2	17	19	3	15	18	3	11	14	3	11	14
GS-6.....	1	12	13	-	9	9	1	14	15	1	14	15
GS-5.....	-	2	2	-	1	1	-	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.....	69	362	431	67	360	427	74	433	507	76	443	519
Total, Perm. Full-Time Employment, EOY.....	69	362	431	67	360	427	74	433	507	76	443	519
Staff Year Est....	70	376	446	70	359	429	74	433	507	76	443	519

RISK MANAGEMENT AGENCY  
Size, Composition, and Operating Costs of 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						
2013	-	2	3	-	-	-	-	5	\$34
Change	-	-	-	-	-	-	-	-	-5
2014	-	2	3	-	-	-	-	5	29
Change	-	-	-	-	-	-	-	-	+2
2015	-	2	3	-	-	-	-	5	31
Change	-	-	-	-	-	-	-	-	+1
2016	-	2	3	-	-	-	-	5	32

\* 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 matter enclosed in brackets):

Salaries and Expenses:

For necessary expenses of the Risk Management Agency, [\$74,829,000] \$76,946,000: *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).

RISK MANAGEMENT AGENCY  
SALARIES AND EXPENSES

Lead-Off Tabular Statement

Budget Estimate, 2016.....	\$76,946,000
2015 Enacted.....	<u>74,829,000</u>
Change in Appropriation.....	<u>+ 2,117,000</u>

Summary of Increases and Decreases  
(Dollars in thousands)

Program	2013 Actual	2014 Change	2015 Change	2016 Change	2016 Estimate
Discretionary Appropriations:					
Total Appropriation.....	\$69,104	+\$2,392	+\$3,333	+\$2,117	\$76,946

RISK MANAGEMENT AGENCY  
SALARIES AND EXPENSES

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

Program	2013 Actual		2014 Actual		2015 Estimate		Inc. or Dec.		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Appropriations:										
Total Appropriation.....	\$69,104	446	\$71,496	429	\$74,829	450	+\$2,117	(1) +12	\$76,946	462
Total Adjusted Approp.....	69,104	446	71,496	429	74,829	450	+2,117	+12	76,946	462
Rescissions, Transfers, and Seq. (Net).....										
	5,796	-	-	-	-	-	-	-	-	-
Total Appropriation.....	74,900	446	71,496	429	74,829	450	+2,117	+12	76,946	462
Transfers In:										
Cong. Relations.....	38	-	38	-	-	-	-	-	-	-
Subtotal.....	38	-	38	-	-	-	-	-	-	-
Transfers Out:										
Departmental WCF.....	-	-	-600	-	-	-	-	-	-	-
Subtotal.....	-	-	-600	-	-	-	-	-	-	-
Rescission.....	-2,028	-	-	-	-	-	-	-	-	-
Sequestration.....	-3,768	-	-	-	-	-	-	-	-	-
Total Available.....	69,142	446	70,934	429	74,829	450	+2,117	+12	76,946	462
Lapsing Balances.....	-376	-	-463	-	-	-	-	-	-	-
Total Obligations.....	68,766	446	70,471	429	74,829	450	+2,117	+12	76,946	462

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

Program	2013 Actual		2014 Actual		2015 Estimate		Inc. or Dec.		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Obligations:										
Total Appropriation.....	\$68,766	446	\$70,471	429	\$74,829	450	+\$2,117	(1) +12	\$76,946	462
Subtotal.....	68,766	446	70,471	429	74,829	450	+2,117	+12	76,946	462
Total Obligations.....	68,766	446	70,471	429	74,829	450	+2,117	+12	76,946	462
Lapsing Balances.....	376	-	463	-	-	-	-	-	-	-
Total Available.....	69,142	446	70,934	429	74,829	450	+2,117	+12	76,946	462
Transfers In.....	-38	-	-38	-	-	-	-	-	-	-
Transfers Out.....	-	-	600	-	-	-	-	-	-	-
Rescission.....	2,028	-	-	-	-	-	-	-	-	-
Sequestration.....	3,768	-	-	-	-	-	-	-	-	-
Total Appropriation.....	74,900	446	71,496	429	74,829	450	+2,117	+12	76,946	462

RISK MANAGEMENT AGENCY  
SALARIES AND EXPENSES

Justification of Increases and Decreases

- (1) A net increase of \$2,117,000 for 12 staff years with efficiencies in administrative and operating costs and activities directed at achieving the RMA mission, goals, and objectives (\$74,829,000 and 450 staff years available in FY 2015).

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 continue to provide world class agricultural risk management products, tools, education, and outreach. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of RMA's program in support of the Federal Crop Insurance 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. The Federal crop insurance program assists in keeping 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.

The funding change is requested for the following items:

- a) An increase of \$697,000 for pay costs (\$134,000 for annualization of the 2015 pay increase and \$563,000 for the 2016 pay increase).
- b) 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. Previously, OIG and OMB identified shortcomings with RMA's methodology for estimating the error rate for improper payments. As a result, RMA contracted with a leading fraud detection, prevention, and mitigation company which identified improvements in the IPERA sampling methodology fraud detection capabilities and for the reduction of improper payments. To address the concerns raised by the OIG, OMB, and the contractor, RMA proposed additional staffing to address issues related to improper payments and fraud prevention in the agency. These 12 staff years will oversee IPERA activities, with a focus on improving the sampling methodology and reducing the improper payment rate. Additionally, these employees will support the reduction of improper payments and implementation of new sampling methodologies across the Nation.

c) A decrease of \$845,000 in operating expenses.

RMA will be able to sustain cuts outlined in 2016 as a result of successful planning and management over the past several years. Specifically, the agency will offset costs with efficiencies in operating overhead.

In addition, RMA's salaries and expenses for 2016 are enhanced by \$32 million in FCIA initiatives mandatory funding. Specifically, \$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. \$4 million was provided for Data Mining under section 515(k)(2) of the FCIA. \$5 million was provided for Improving Program Integrity under section 522(e) of the FCIA. The FCIA initiatives funding coupled with continued rigorous management of our discretionary funding and the increases described above mean that we expect operation to be fully continued in 2016.

RISK MANAGEMENT AGENCY

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

State/Territory	2013 Actual		2014 Actual		2015 Estimate		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
California.....	2,790	26	2,872	24	3,050	25	3,136	26
District of Columbia.....	24,671	70	27,831	67	29,552	68	30,388	70
Florida.....	-	-	107	1	114	1	117	1
Georgia.....	1,128	11	1,227	12	1,303	13	1,340	13
Illinois.....	1,628	15	1,621	15	1,721	16	1,770	16
Indiana.....	1,171	12	1,192	12	1,266	13	1,302	15
Kansas.....	1,842	16	1,767	15	1,876	17	1,929	17
Louisiana.....	-	-	167	1	177	1	182	1
Minnesota.....	3,172	29	3,469	25	3,684	29	3,788	31
Mississippi.....	1,634	15	1,494	13	1,586	15	1,631	15
Missouri.....	21,791	164	18,993	160	20,167	164	20,738	164
Montana.....	1,672	17	1,615	13	1,715	14	1,764	14
North Carolina.....	2,930	30	3,332	31	3,538	33	3,638	35
North Dakota.....	-	-	107	1	114	1	117	1
Oklahoma.....	976	8	863	8	916	8	942	9
Texas.....	1,825	19	2,106	16	2,236	17	2,299	19
Virginia.....	-	-	140	1	149	1	153	1
Washington.....	1,537	14	1,568	14	1,665	14	1,712	14
Obligations.....	68,766	446	70,471	429	74,829	450	76,946	462
Lapsing Balances.....	376	-	463	-	-	-	-	-
Total, Available.....	69,142	446	70,934	429	74,829	450	76,946	462

RISK MANAGEMENT AGENCY

Classification by Objects

(Dollars in thousands)

	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
<b>Personnel Compensation:</b>				
Washington D.C.....	\$7,533	\$7,855	\$8,092	8,451
Field.....	33,114	31,818	\$34,080	35,483
11 Total personnel compensation.....	40,647	39,673	42,172	43,934
12 Personal benefits.....	11,992	11,766	12,527	13,049
13.0 Benefits for former personnel.....	23	24	24	24
Total, personnel comp. and benefits.....	52,662	51,463	54,723	57,007
<b>Other Objects:</b>				
21.0 Travel and transportation of persons.....	857	1,027	1,200	1,200
22.0 Transportation of things.....	42	40	40	40
23.1 Rental payments to GSA.....	-	170	3,333	3,333
23.2 Rental payments to others.....	345	251	308	258
23.3 Communications, utilities, and misc. charges....	718	837	765	715
24.0 Printing and reproduction.....	29	7	22	22
25.1 Advisory and assistance services.....	2,490	3,068	2,560	2,537
25.3 Other purchases of goods and services from Federal sources.....	1,442	1,535	1,542	1,536
25.4 Operation and maintenance of facilities.....	177	107	145	145
25.7 Operation and maintenance of equipment.....	9,476	11,314	9,630	9,602
25.8 Subsistence and support of persons.....	259	320	271	271
26.0 Supplies and materials.....	157	244	200	190
31.0 Equipment.....	112	88	90	90
Total, Other Objects.....	16,104	19,008	20,106	19,939
99.9 Total, new obligations.....	68,766	70,471	74,829	76,946
<b>Position Data:</b>				
Average Salary (dollars), ES Position.....	\$164,256	\$170,625	\$172,331	\$174,055
Average Salary (dollars), GS Position.....	\$88,281	\$89,204	\$90,096	\$90,997
Average Grade, GS Position.....	11.9	11.9	11.9	11.9

RISK MANAGEMENT AGENCY

Shared Funding Projects

(Dollars in thousands)

	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
<b>Working Capital Fund:</b>				
Beltsville Service Center.....	\$12	\$14	\$16	\$21
Mail and Reproduction Management.....	75	44	67	69
Integrated Procurement System.....	14	14	12	12
Subtotal.....	101	72	96	103
Communications:				
Creative Media & Broadcast Center.....	8	20	36	55
Finance and Management:				
NFC/USDA.....	93	71	114	111
Controller Operations.....	113	100	106	112
Financial Systems.....	214	208	212	209
Internal Control Support Services.....	150	139	114	114
Subtotal.....	570	518	546	545
Information Technology:				
NITC/USDA.....	307	348	88	94
International Technology Services.....	176	40	64	64
Telecommunications Services.....	155	157	168	176
Subtotal.....	638	545	320	334
Correspondence Management.....	33	29	29	28
Total, Working Capital Fund.....	1,350	1,184	1,026	1,064
<b>Departmental Shared Cost Programs:</b>				
1890 USDA Initiatives.....	14	13	13	13
Classified National Security Information.....	-	-	5	\$5
Continuity of Operations Planning.....	10	9	9	\$9
Emergency Operations Center.....	11	10	10	\$10
Facility and Infrastructure Review and Assessment.....	2	2	2	\$2
Faith-Based & Neighborhood Partnerships.....	2	1	2	\$2
Federal Biobased Products Preferred Procurement Program....	2	1	-	-
Hispanic-Serving Institutions National Program.....	9	9	9	\$9
Honor Awards.....	0	0	0	\$0
Human Resources Transformation.....	8	7	8	\$8
Identity & Access Management (HSPD-12).....	31	29	30	\$30
Medical Services.....	3	2	6	\$6
People's Garden.....	3	2	3	\$3
Personnel Security Branch (was PDSD).....	5	5	5	\$5
Preauthorized Funding.....	16	16	16	\$16
Retirement Processor Web Application.....	3	2	3	\$3
Sign Language Interpreter.....	9	4	-	-
TARGET Center.....	4	4	6	\$6
USDA 1994 Program.....	4	3	3	\$3
Virtual University.....	10	8	9	\$9
Visitor Information Center.....	1	1	-	-
Total, Departmental Shared Cost Programs.....	146	130	139	139

RISK MANAGEMENT AGENCY

Shared Funding Projects

(Dollars in thousands)

	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
<b>E-Gov:</b>				
Budget Formulation and Execution Line of Business.....	0	0	0	0
Disaster Assistance Improvement Plan.....	2	2	2	2
Enterprise Human Resources Intigration.....	12	10	10	10
E-Rulemaking.....	5	4	2	2
E-Training.....	14	12	12	12
Financial Management Line of Business.....	1	1	1	1
Geospatial Line of Business.....	1	-	1	1
GovBenefits.gov.....	5	6	6	6
Grants.gov.....	3	3	2	2
Human Resources Line of Business.....	1	1	1	1
Integrated Acquisition Environment - Loans and Grants.....	6	8	8	8
Integrated Acquisition Environment.....	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total, E-Gov.....	54	50	49	49
Agency Total.....	<u>1,550</u>	<u>1,364</u>	<u>1,214</u>	<u>1,253</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

Budget Estimate, 2016.....	\$8,175,224,000
2015 Enacted.....	8,930,502,000
Change in Appropriation.....	<u>-755,278,000</u>

Proposed Legislation

Budget Request, Current Law 2016.....	\$8,175,224,000
Change Due to Proposed Legislation.....	-1,128,500,000
Net Request, 2016 Request.....	<u>7,046,724,000</u>

Summary of Increases and Decreases  
(Dollars in thousands)

Program	2013 Actual	2014 Change	2015 Change	2016 Change	2016 Estimate
Mandatory Appropriations:					
Premium Subsidy.....	6,977,000	-334,000	-275,900	-647,563	5,719,537
Delivery Expense.....	1,349,000	+60,818	-75,918	+17,500	1,351,400
Underwriting Gain.....	-	+646,566	+531,936	-125,215	1,053,287
Federal Crop Insurance Act Initiatives.....	39,000	+22,000	-10,000	-	51,000
* FCIC Share of Ultimate Net Loss.....	3,841,000	-3,841,000	-	-	-
Subtotal.....	<u>12,206,000</u>	<u>-3,445,616</u>	<u>+170,118</u>	<u>-755,278</u>	<u>8,175,224</u>
Total.....	<u>12,206,000</u>	<u>-3,445,616</u>	<u>+170,118</u>	<u>-755,278</u>	<u>8,175,224</u>

\*In 2013, there was a 1.57 loss ratio and the loss ratio is on this line.

RISK MANAGEMENT AGENCY  
FEDERAL CROP INSURANCE CORPORATION FUND

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

Program	2013 Actual		2014 Actual		2015 Estimate		Inc. or Dec.		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Appropriations:										
Premium Subsidy.....	6,977,000	-	6,643,000	-	6,367,100	-	-647,563	-	5,719,537	-
Delivery Expense.....	1,349,000	-	1,409,818	-	1,333,900	-	+17,500	-	1,351,400	-
Underwriting Gain.....	-	-	646,566	-	1,178,502	-	-125,215	-	1,053,287	-
Federal Crop Insurance Act Initiatives.....	39,000	-	61,000	-	51,000	57	-	-	51,000	57
FCIC Share of Ultimate Net Loss.....	3,841,000	-	-	-	-	-	-	-	-	-
Subtotal.....	12,206,000	-	8,760,384	-	8,930,502	57	-755,278	-	8,175,224	57
Total Adjusted Approp.....	12,206,000	-	8,760,384	-	8,930,502	57	-755,278 (1)	-	8,175,224	57
Rescissions, Transfers, and Seq. (Net).....										
	2,984	-	-1,772	-	-4,678	-	+3,678	-	-1,000	-
Total Appropriation.....	12,208,984	-	8,758,612	-	8,925,824	57	-751,600	-	8,174,224	57
Transfers In:										
AMA Funding.....	5,694	-	5,568	-	4,000	-	-	-	4,000	-
Total.....	5,694	-	5,568	-	4,000	-	-	-	4,000	-
Transfers Out:										
NIFA.....	-5,000	-	-4,568	-	-5,000	-	-	-	-5,000	-
Subtotal.....	-5,000	-	-4,568	-	-5,000	-	-	-	-5,000	-
Sequestration.....	-2,984	-	-2,772	-	-3,678	-	+3,678	-	-	-
Bal. Available, SOY.....	565,000	-	565,000	-	568,000	-	-5,000	-	563,000	-
Recoveries, Other (Net).....	8,809,000	-	4,043,343	-	3,978,358	-	-444,358	-	3,534,000	-
Total Available.....	21,580,000	-	13,366,955	-	13,471,182	57	-1,197,280	-	12,271,224	57
Bal. Available, EOY.....	-565,000	-	-568,000	-	-563,000	-	+1,000	-	-562,000	-
Total Obligations.....	21,015,000	-	12,798,955	-	12,908,182	57	-1,198,958	-	11,709,224	57

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

Program	2013 Actual		2014 Actual		2015 Estimate		Inc. or Dec.		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Mandatory Obligations:										
Indemnities.....	19,602,291	-	10,675,968	-	10,324,780	-	-1,091,243	-	9,233,537	-
Delivery Expense.....	1,349,000	-	1,409,818	-	1,333,900	-	+17,500	-	1,351,400	-
Underwriting Gain.....	-	-	646,566	-	1,178,502	-	-125,215	-	1,053,287	-
Federal Crop Insurance Act Initiatives.....	44,780	-	61,000	-	51,000	57	-	-	51,000	57
Program Related IT.....	18,929	-	5,603	-	20,000	-	-	-	20,000	-
Subtotal.....	21,015,000	-	12,798,955	-	12,908,182	57	-1,198,958	-	11,709,224	57
Total Obligations.....	21,015,000	-	12,798,955	-	12,908,182	57	-1,198,958	-	11,709,224	57
Bal. Available, EOY.....	565,000	-	568,000	-	563,000	-	-1,000	-	562,000	-
Total Available.....	21,580,000	-	13,366,955	-	13,471,182	57	-1,199,958	-	12,271,224	57
Transfers In.....	-5,694	-	-5,568	-	-4,000	-	-	-	-4,000	-
Transfers Out.....	5,000	-	4,568	-	5,000	-	-	-	5,000	-
Sequestration.....	2,984	-	2,772	-	3,678	-	-3,678	-	-	-
Bal. Available, SOY.....	-565,000	-	-565,000	-	-568,000	-	+5,000	-	-563,000	-
Other Adjustments (Net) Farm Bill.....	-8,809,000	-	-4,043,343	-	-3,978,358	-	+444,358	-	-3,534,000	-
Total Appropriation.....	12,206,000	-	8,758,612	-	8,925,824	57	-751,600	-	8,174,224	57

RISK MANAGEMENT AGENCY  
FEDERAL CROP INSURANCE CORPORATION FUND

Justification of Increases and Decreases

- (1) A decrease of \$755,278,000 is estimated for the Federal Crop Insurance Corporation (FCIC) Fund. (\$8,930,502,000 available in 2015).

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 funding change is requested for the following items:

- a. A decrease of \$647,563,000 for premium subsidy (\$6,367,100,000 available in 2015).

Premium subsidy is the amount of total premium paid by FCIC. The cost of the FCIC is driven by the price of commodities it insures. The commodity price is expected to decrease in 2016, which reduces the value of insurance and in turn reduces premium subsidy.

- b. An increase of \$17,500,000 for delivery expense (\$1,333,900,000 available in 2015).

Delivery expense 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) allows for annual adjustments of delivery expenses paid to reinsured companies, primarily due to the annual inflation cap which accounts for the increase in this fiscal year.

- c. A decrease of \$125,215,000 for underwriting gains (\$1,178,502,000 available in 2015).

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 lower estimated retained premium in FY 2016.

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.....	\$8,175,224	-\$1,128,500	\$7,046,724

Explanation of Proposed Legislation:

The 2016 Budget proposes two crop insurance proposals that will save an estimated \$16 billion over 10 years.

The proposals include programmatic changes that:

1. Reduce premium subsidy by 10 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 to producers 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 producer, while still maintaining the availability and integrity of the policy. Under this coverage, farmers pay an out-of-pocket premium which more closely matches the market price of the coverage purchased. As a result, the number of farmers choosing the more expensive harvest price coverage may decrease and some farmers will likely choose a lower coverage level, thus lowering overall premium. Over 10 years the government will save \$14.6 billion, of which 9 percent will be mostly from lower underwriting gains that the government pays the insurance companies.

2. Reform the prevented planting program by adjusting payment rates for prevented planting, eliminating prevented planting optional coverage, and requiring a transitional yield be applied to the producer's actual production history (APH) who receives a prevented planting payment. A study to evaluate prevented planting rates was recently completed and this reform would require RMA to adopt suggested rates. This reform also eliminates the ability to purchase an optional 5 percent or 10 percent higher level than that provided by the base prevented planting coverage. Currently, if a producer receives a prevented planting payment, they do not receive a yield for that year; however, if they plant a second crop, they automatically receive 60 percent of the transitional yield applied to their APH. This presents a disincentive for farmers to try and plant a crop, so this reform provides that a producer will have a lower approved yield if they utilize prevented planting. This proposal is expected to save about \$1.4 billion over 10 years and improve the accuracy of the prevented planting coverage as well as promote additional food production.

RISK MANAGEMENT AGENCY  
FEDERAL CROP INSURANCE CORPORATION FUND

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

State/Territory	2013 Actual	2014 Actual	2015 Estimate		2016 Estimate	
	Amount	Amount	Amount	SYs	Amount	SYs
Alabama.....	35,608	30,683	20,423	-	18,526	-
Alaska.....	177	85	84	-	76	-
Arizona.....	29,642	20,098	9,928	-	9,006	-
Arkansas.....	99,112	161,635	160,267	-	145,381	-
California.....	145,880	241,294	239,252	4	217,029	4
Colorado.....	400,734	288,191	285,752	-	259,210	-
Connecticut.....	3,978	6,019	5,968	-	5,414	-
Delaware.....	15,952	6,649	6,593	-	5,981	-
District of Columbia.....	-	-	-	8	-	8
Florida.....	54,355	45,036	44,655	-	40,507	-
Georgia.....	60,194	111,615	110,671	-	98,091	-
Hawaii.....	140	2,045	2,028	-	1,840	-
Idaho.....	34,236	42,945	42,582	-	38,627	-
Illinois.....	3,235,354	626,523	588,429	-	533,807	-
Indiana.....	1,498,019	168,474	167,048	3	151,532	3
Iowa.....	2,046,614	1,792,383	1,777,216	-	1,592,142	-
Kansas.....	1,660,127	870,178	834,815	-	757,274	-
Kentucky.....	420,204	65,135	64,584	-	58,585	-
Louisiana.....	32,089	32,157	31,885	-	28,923	-
Maine.....	6,600	11,688	11,589	-	10,513	-
Maryland.....	28,607	15,702	15,569	-	14,123	-
Massachusetts.....	2,224	4,018	3,984	-	3,614	-
Michigan.....	232,751	105,324	104,433	-	94,733	-
Minnesota.....	617,163	1,198,739	1,153,595	6	996,445	6
Mississippi.....	91,545	89,824	89,064	-	80,791	-
Missouri.....	1,125,035	391,825	388,509	29	352,423	29
Montana.....	20,115	113,065	112,108	-	101,695	-
Nebraska.....	1,299,103	510,476	481,156	-	436,465	-
Nevada.....	6,952	11,021	10,928	-	9,913	-
New Hampshire.....	547	362	359	-	326	-
New Jersey.....	3,993	3,623	3,592	-	3,258	-
New Mexico.....	87,930	49,961	34,538	-	31,330	-
New York.....	85,223	3,944	3,911	-	3,548	-
North Carolina.....	98,124	147,521	111,273	4	90,938	4
North Dakota.....	819,046	914,797	882,056	-	770,127	-
Ohio.....	499,393	98,470	97,637	-	88,568	-
Oklahoma.....	381,795	399,769	386,386	-	350,497	-
Oregon.....	54,185	42,050	41,694	-	37,821	-
Pennsylvania.....	36,053	28,027	27,790	-	25,209	-
Rhode Island.....	83	83	82	-	74	-
South Carolina.....	32,411	61,632	61,110	-	55,434	-
South Dakota.....	1,142,242	298,404	275,879	-	250,254	-
Tennessee.....	150,177	52,995	52,547	-	47,666	-
Texas.....	2,181,893	998,478	990,029	3	878,072	3
Utah.....	6,869	3,754	3,722	-	3,376	-
Vermont.....	2,905	7,032	6,972	-	6,324	-
Virginia.....	69,766	31,639	31,371	-	28,457	-
Washington.....	80,736	156,522	155,198	-	140,783	-
West Virginia.....	824	874	867	-	786	-
Wisconsin.....	636,508	411,987	380,501	-	345,159	-
Wyoming.....	29,078	14,549	14,426	-	13,086	-
Undistributed a/.....	1,412,709	2,109,655	2,583,127	-	2,475,465	-
Obligations.....	21,015,000	12,798,955	12,908,182	57	11,709,224	57
Bal. Available, EOY.....	565,000	568,000	563,000	-	562,000	-
Total, Available.....	21,580,000	13,366,955	13,471,182	57	12,271,224	57

a/ Undistributed includes, Delivery Expenses, FCIA Initiatives, Interest, and Underwriting Gains or Losses that cannot be distributed by State. These estimates are based on prior year indemnities.

RISK MANAGEMENT AGENCY  
FEDERAL CROP INSURANCE CORPORATION FUND

Classification by Objects  
(Dollars in thousands)

	2013	2014	2015	2016	
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	
Other Objects:					
25	Delivery Expenses.....	1,349,000	1,409,818	1,333,900	1,351,400
25.1	Federal Crop Insurance Act Initiatives.....	44,780	61,000	51,000	51,000
25.2	Underwriting Gain/Losses.....	-	646,566	1,178,502	1,053,287
25.3	Program Related IT	18,929	5,603	20,000	20,000
42	Indemnities.....	<u>19,602,291</u>	<u>10,675,968</u>	<u>10,324,780</u>	<u>9,233,537</u>
	Total, Other Objects.....	<u>21,015,000</u>	<u>12,798,955</u>	<u>12,908,182</u>	<u>11,709,224</u>
99.9	Total, new obligations.....	<u>21,015,000</u>	<u>12,798,955</u>	<u>12,908,182</u>	<u>11,709,224</u>

RISK MANAGEMENT AGENCY  
FEDERAL CROP INSURANCE CORPORATION

STATUS OF PROGRAMS

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".

The Federal Crop Insurance Corporation (FCIC) is a wholly owned government corporation created on February 16, 1938 to carry out the FCIA (7 U.S.C. 1503). The FCIA provides for nationwide 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 protect producers against loss of revenue stemming from low prices, poor yields, or a combination of both. 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, program delivery is a partnership 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:**

**Studies** - The 2014 Farm Bill directed RMA to contract for three crop insurance feasibility studies and three research and development projects. Contracts for feasibility studies included: (1) Food Safety to determine whether offering policies that provide coverage for specialty crops from food safety and contamination issues would benefit agricultural producers; (2) Poultry Catastrophic Event Loss; and (3) Swine Catastrophic Event Loss. RMA has already awarded the Food Safety and Poultry Event Loss studies to contractors and the reports will be completed early 2015. RMA will be awarding the Swine Catastrophic Event Loss study contract in early spring 2015. The three research and development project are: (1) Biomass and Sweet Sorghum; (2) Poultry Business Interruption; and; (3) Catfish Margin Coverage. Contracts have been awarded for research and development of a Biomass and Sweet Sorghum crop insurance programs which will be completed in 2015. Contracting work for research and development of Poultry Business Interruption and Catfish Margin Coverage crop insurance programs is underway and will be awarded in spring of 2015.

**Actual Production History (APH) Yield Exclusion** - The APH Yield Exclusion will allow eligible producers who have been hit with unusually high losses to receive a higher approved yield on their insurance policies through the Federal crop insurance program. APH Yield Exclusion program details will be available nationwide for farmers of select crops starting in spring 2015.

**National Agricultural Statistics Service (NASS) Organic Production and Price Survey** - RMA will collaborate with NASS to collect 2015 production and price data from certified organic growers. The 2015 USDA Certified Organic Production Survey will utilize RMA and NASS funding to gather detailed production and price information by surveying all certified organic farming operations within USDA's organic registry. Where sufficient data is available, the additional detailed information will allow RMA to expand availability of organic prices.

**New Crop Insurance Programs** - There are currently 18 RMA contracted pilot programs and 40 privately developed insurance programs operating. New crop insurance programs for 2015 are Peanut Revenue, Whole-Farm Revenue Protection, and Area Risk Protection for Rice and Popcorn. New crop insurance programs for 2016 are Sprinkler Irrigated Rice and High Amylose Corn. 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.

**Acreage Crop Reporting Streamlining Initiative (ACRSI)** - Work continues to achieve the Farm Bill requirement to develop and implement streamlined acreage reporting processes that provide the option of electronic or conventional one-stop acreage reporting for producers participating in USDA programs, and the broader ACRSI objectives of improved policy integration and data sharing capabilities between USDA agencies. Agencies participating in the ACRSI include RMA, Farm Service Agency (FSA), Natural Resources Conservation Service (NRCS), and NASS.

**Updated Legal Descriptions with Geographical Information System (GIS)** - RMA has implemented a new set of allowable legal descriptions (or equivalents) for reporting land location. Additionally, a GIS file covering most of the western and central United States was released to the Approved Insurance Providers for reporting land location and to aid in unit determination. This file represents a multi-year effort to combine 91 different surveys (the largest being the Public Land Survey System) into a unified data set for use by RMA.

**Data Mining and Compliance** - RMA uses data mining to detect and deter fraud, waste, and abuse in the crop insurance program by identifying policies that exhibit anomalous outcomes as compared to comparable policies in the geographic region. The product most associated with the data mining program is the annual "Spot-Check List," which is a list of approximately 3,000 policies found to be most anomalous. The policies placed on the Spot-Check List tend to exhibit particular loss patterns and/or have more frequent and larger losses relative to similar policies in the area. The cost avoidance that results from data mining and the Spot-Check List process is measured by the reduction in the amount of indemnities claimed after the spot check inspections are conducted. The data mining and Spot-Check List efforts have been highly successful. The cumulative direct cost avoidance from the Spot-Check List process from 2001 through 2013 is estimated to be approximately \$1.05 billion.

**Risk Management Education Program** - During 2014, RMA partnered with qualified applicants to provide education, outreach assistance and related tools and information on crop insurance programs and risk management strategies. RMA partners with organizations working with Women, Hispanics, African Americans, Asian Americans, Native Americans, Immigrants, Military Veterans, Organic Crops, Beginning Producers, Specialty Crop Producers & Ranchers, New Markets, Livestock Farmers, Limited Resource, Retiring-Transitioning, Strike force, Socially Disadvantaged, Sustainable Producers, Traditional, Value-Added and Small Farms & Ranches. Specifically, RMA provided nearly \$4 million in cooperative agreements in 48 states that provided training to U.S. farmers and ranchers in managing production, marketing, financial, legal, and human risk. The program gives priority to educating producers of crops currently not insured under Federal crop insurance, specialty crops, and underserved commodities, including livestock and forage. Additionally, RMA awarded \$5 million in cooperative agreements in 16 states designated as historically underserved with respect to crop insurance. These targeted states include: Connecticut, Delaware, Hawaii, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia, and Wyoming.

#### **Select Examples of Recent Progress:**

**Interim Rule for Farm Bill Changes** - RMA has published in the Federal Register on July 1, 2014 the Interim Final rule that implemented many of the changes resulting from the passage of the Agricultural Act of 2014. These include: highly-erodible land and wetland conservation, enterprise units for irrigated and non-irrigated crops, adjustment in Actual Production History, crop production on native sod, coverage levels by irrigated and non-irrigated practice, beginning farmer and rancher provisions and the authority to correct errors. The rule revises the Common Crop Insurance Policy Basic Provisions, the Catastrophic Coverage Basic Provisions and the Area Risk Protection Insurance Basic Provisions. Implementation of these provisions provides producers with more insurance choices, coverage and options to better meet their risk management needs.

**Supplemental Coverage Option (SCO) Product Release** - The SCO insurance policy and materials were released on RMA's website July 29, 2014. Crops covered by SCO in 2015 include barley, corn, grain sorghum, cotton, cottonseed, rice, soybeans, and wheat. The SCO policy provides coverage for a portion of the producer's deductible from the underlying policy. A subsidy rate of 65 percent applies to the SCO policy.

**Stacked Income Protection (STAX) Product Release** - The STAX insurance policy and materials were released on RMA's website August 12, 2014. This product will enable upland cotton growers to purchase an area-based insurance policy in addition to, or instead of, their individual or area coverage insurance policy. The STAX policy insures up to the first 20 percent of county losses, after a 10 percent deductible, and has a premium subsidy rate of 80 percent.

**Whole-Farm Revenue Protection (WFRP) Product Release** - The WFRP insurance product was released on November 6, 2014 effective for the 2015 insurance year and will be available in 45 states. Coverage is currently not available in Arkansas, Louisiana, Oklahoma, Mississippi, and Texas. WFRP will provide revenue coverage for the whole farm under one policy. This policy was designed to meet the needs of highly diverse farms that are growing a wide range of commodities, and for farms selling commodities to wholesale markets. The policy was specifically developed for farms that tend to sell to direct, local or regional, and farm-identity preserved markets and grow specialty or organic crops and animals or animal products. The WFRP will serve farms with up to \$8.5 million of insured revenue, offers replant coverage for annual crops, and recognizes farm diversification with premium rate discounts, eligibility for the two highest coverage levels, and whole-farm subsidy.

**Premium Rate Revisions** - Premium Rates were revised for 25 crops for 2015. 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. Approximately 15 additional crops are being considered for premium rate revisions in 2016.

**Organic Specific Price Elections** - RMA provided 11 additional organic price elections in the 2014 crop year: almonds, blueberries (CA, OR, & WA), peppermint, juice grapes (WA), oats, apples (WA), pears (WA & OR), fresh apricots (CA, ID, OR, & WA), and fresh nectarines & plums, and freestone peaches (ID, OR, & WA). Ten additional crops including millet, figs, walnuts, flax, popcorn, corn silage, hybrid corn seed, grain sorghum, silage sorghum, and hybrid seed sorghum will have organic prices available for the 2015 crop year.

**Improper Payment Rate** - The 2014 improper payment rate for the Federal crop insurance program was 5.58 percent compared to the target error rate of 5.15 percent. This makes RMA non-compliant with the Improper Payments Elimination and Recovery Improvement Act (IPERIA). However, OIG has identified in recent audits that the sampling plan used in the RMA IPERIA process is flawed. In 2014, RMA began working with OMB and OIG to develop a new sampling plan and the process to re-evaluate its targeted improper payment rates. RMA, with OMB and OIG approval, developed a corrective action plan that will put RMA in compliance with IPERIA by fiscal year 2016. The new methodology will provide a more credible estimate of the amount of improper payments and rely on sampling methodology approved by OMB and OIG. This will improve the overall integrity of the Federal crop insurance program.

RISK MANAGEMENT AGENCY  
 Summary of Budget and Performance  
 Statement of Department Goals and Objectives

The primary responsibility of 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 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 five strategic goals that contribute to two 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.
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.
	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.

Agency Strategic Goals	Agency Objectives	Programs that Contribute	Key Outcome
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.

**USDA Strategic Goal: Create a USDA for the 21st century that is High-Performing, Efficient, and Adaptable**

Agency Strategic Goals	Agency Objectives	Programs that Contribute	Key Outcome
Create a RMA for the 21st century that is high performing, efficient, and adaptable	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.	Federal Crop Insurance	Fewer producer identity discrepancies between RMA & Farm Service Agency Comprehensive Information Management System (CIMS)
	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.

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. 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 Priorities 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	2011 Actual	2012 Actual	2013 Actual 2\	2014 Actual	2015 Target	2016 Target
a. Annual normalized value of risk protection provided to agricultural producers through the Federal crop insurance program. (in Billions)	\$56.30	\$62.10	\$66.00	\$67.90	\$63.05	\$63.37
b. Dollars (in Billions) 1\	\$9.84	\$12.68	\$21.08	\$12.87	\$12.98	\$11.79

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

2\ The increase in 2013 obligations were primarily due to severe drought.

**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 during 2014 for the development of the RMA 2015-2018 Strategic Plan, 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	2011 Actual	2012 Actual	2013 Actual 2\	2014 Actual	2015 Target	2016 Target
Value of FCIC risk protection coverage provided through FCIC sponsored insurance (in Billions)	\$110.90	\$116.20	\$122.80	\$109.50	\$107.80	\$100.30
Normalized value of FCIC risk protection coverage provided through FCIC sponsored insurance (in Billions)	\$56.30	\$62.10	\$66.00	\$67.90	\$63.05	\$63.37
Dollars (in Billions) 1\	\$9.84	\$12.68	\$21.08	\$12.87	\$12.98	\$11.79

1\ Represents obligations required to provide the normalized and actual value in risk protection including indemnities.

2\ The increase in 2013 obligations were primarily due to severe drought.

**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 Whole Farm Policy: RMA’s Whole Farm Revenue Protection (WFRP) insurance product combines Adjusted Gross Revenue (AGR) and AGR-Lite with improvements to target both (1) Highly diversified farms and (2) Farms selling 2-5 commodities to wholesale markets. The new product takes into consideration direction provided in the 2014 Farm Bill. WFRP is available for the 2015 crop year and covers all commodities on the farm including specialty crops.
- 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 2016 Proposed Resource Level:**

- Maintain the actuarial soundness of the Federal crop insurance program.
- Premium rate revisions of the crop insurance programs will continue in 2016.
- 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 and other underwriting activities completed by 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 crops, types, and practices. In addition to these written agreements, Regional Offices also participate in the following underwriting activities: large claims determinations/reconsiderations, good farming practice determinations/reconsiderations, determined yield requests, added land requests, updates to mapping, updates to the special provisions including updating T-yields, and underwriting guides issued.

Measure	2013 Actual	2014 Actual	2015 Target	2016 Target	2017 Target	2018 Target
Number of underwriting activities completed by the Regional Offices.	16,506	18,805	21,104	23,403	25,702	28,000

**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 2016 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 education.

Measure	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2016 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.	28,000	79,531	81,000	48,403	112,734*	49,000	49,300
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.	106,606	92,293	33,395	104,373	156,581	108,000	110,500

\*2014 Farm Bill Outreach resulted in the increase from 2013 to 2014.

Selected Past Accomplishments toward Achievement of the Key Outcome:

- For FY 2014, Cooperative Agreements totaling approximately \$8.6 million in 46 States were awarded from two Risk Management Education programs: (1) Commodity Partnership for Small Agricultural Risk Management Education Sessions and (2) Community Outreach Assistance Partnership 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	2010	2011	2012	2013	2014	2015	2016
	Actual	Actual	Actual	Actual	Actual	Target	Target
Improper Payment Rate for the Federal crop insurance program	6.05%	4.72%	4.08%	5.23%	5.58%	5.20%	5.10%

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	2013 Actual	2014 Actual	2015 Estimate	Inc. or Dec.	2016 Estimate
<b>Department Strategic Goal: Assist Rural Communities to Create Prosperity So They Are Self Sustaining, Repopulating, and Economically Thriving</b>					
Salaries and Expenses.....	\$68,766	\$70,471	\$74,829	+2,117	\$76,946
Staff Years.....	446	429	450	+12	462
Federal Crop Insurance Corporation Fund.....	21,015,000	12,798,955	12,908,182	-1,198,958	11,709,224
Staff Years.....	-	-	57	-	57
Total Costs, Strategic Goal.....	21,083,766	12,869,426	12,983,011	-1,196,841	11,786,170
Total Staff Years, Strategic Goal.....	446	429	507	+12	519
Total Costs, All Strategic Goals.....	21,083,766	12,869,426	12,983,011	-1,196,841	11,786,170
Total FTEs, All Strategic Goals.....	446	429	507	+12	519

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	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
<u>Salaries and Expenses</u>				
Salaries and Expenses.....	\$68,766	\$70,471	\$74,829	\$76,946
Total Costs, Strategic Goal.....	68,766	70,471	74,829	76,946
Total Staff Years, Strategic Goal.....	446	429	450	462
<u>Federal Crop Insurance Corporation Fund</u>				
Total Costs.....	21,015,000	12,798,955	12,908,182	11,709,224
Total Staff Years, Strategic Goal.....	-	-	57	57
Performance Measure:				
Annual normalized value of risk protection provided to agricultural producers through the Federal Crop Insurance program.	66,000,000	67,900,000	63,050,000	63,370,000
Cost per measure (unit cost).....	21,083,766	12,869,426	12,984,011	11,786,170
Total Costs, All Strategic Goals.....	21,083,766	12,869,426	12,983,011	11,786,170
Total FTEs, All Strategic Goals.....	446	429	507	519