

## 2020 USDA EXPLANATORY NOTES – RISK MANAGEMENT AGENCY

Agency-Wide.....	2
Purpose Statement.....	2
OIG and GAO Reports .....	3
Available Funds and Staff Years .....	4
Permanent Positions by Grade and Staff Years .....	5
Vehicle Fleet.....	6
Shared Funding Projects-.....	7
Account 1: Salaries and Expenses .....	9
Lead-Off Tabular Statement .....	9
Appropriations Language.....	9
Project Statement .....	10
Justifications .....	10
Geographic Breakdown of Obligations and Staff Years .....	11
Classification by Objects .....	12
Account 2: Federal Crop Insurance Corporation.....	13
Lead-Off Tabular Statement .....	13
Appropriations Language.....	13
Project Statement .....	14
Justifications .....	14
Proposed Legislation.....	15
Geographic Breakdown of Obligations and Staff Years .....	17
Classification by Objects .....	18
Status of Programs.....	19
Current Activities:.....	19
Select Examples of Recent Progress:.....	20
Agency-Wide Performance .....	22
Summary of Performance .....	22

## ***AGENCY-WIDE***

### **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. The Mission of the Risk Management Agency is serving America's agricultural producers through effective, market-based risk management tools to strengthen the economic stability of agricultural producers and rural communities.

Over the past eight decades, Federal crop insurance has been the primary product provided by the FCIC/RMA and consists of various alternatives designed to support the economic stability of agriculture. Legislation, including the current 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 opportunities for our Nation's agricultural producers as well as 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, expanded Whole Farm Revenue Protection, new and expanded beginning farmer and rancher provisions, Actual Production History Yield Exclusion Options, coverage levels and enterprise units by irrigation practice provisions, improved and expanded coverage for organic producers, expanded forage options, conservation compliance requirements, and trend adjusted Actual Production History. Education and non-insurance risk management assistance initiatives and tools further contribute to producers' ability to better protect their financial conditions. Through the use of these tools, agricultural producers have available a cost-effective means of managing their risk and are better able to help sustain the rural economy.

As of September 30, 2018, RMA had 450 full-time permanent employees located throughout the Nation as follows: 70 in Washington, D.C. Headquarters; 173 in Kansas City, MO national office; with the remaining 207 located in ten Insurance Services Regional Offices (ROs) and six Regional Compliance Offices (RCOs). On October 14, 2018 the Farm Production and Conservation (FPAC) Business Center launched, and with the realignment of administrative staff into the Business Center there will be 394 full-time permanent remaining RMA employees.

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.

**OIG AND GAO REPORTS****Table RMA-1. Completed OIG Reports**

<b>ID</b>	<b>Date</b>	<b>Title</b>
50024-0012-11	10/2/2017	Fiscal Year 2016 Executive Order 13520: Reducing Improper Payments, High-Dollar Overpayments Report Review
05401-0009-11	11/13/2017	Federal Crop Insurance Corporation- Risk Management Agency's Financial Statements for Fiscal year 2017 and 2016
50024-0013-11	12/19/2017	U.S. Department of Agriculture's Fiscal Year 2017 Compliance with Improper Payment Requirements
05601-0005-31	12/22/2017	RMA's Utilization of Contracted Data Mining Results
05601-0001-41	2/23/2018	Risk Management Agency Indemnity Payments to Pistachio Producers
05601-0003-22	2/23/2018	Actual Revenue History Underwriting for Sweet Cherries

**Table RMA-2. In-Progress OIG Reports**

<b>ID</b>	<b>Title</b>
05601-0006-31	Annual Forage Program and Follow Up on Pasture, Rangeland, Forage Program Recommendations
05401-0010-11	Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2017 and 2018
50024-0013-11	U.S. Department of Agriculture's Fiscal Year 2017 Compliance with Improper Payment Requirements

**Table RMA-3. In-Progress GAO Reports**

<b>ID</b>	<b>Title</b>
GAO-15-215	Crop Insurance: In Areas with Higher Crop Production Risks, Costs are Greater, and Premiums May Not Cover Expected Losses
GAO15-356	Crop Insurance: Reducing Subsidies for Highest Income Participants Could Save Federal Dollars with Minimal Effects on the Program
GAO-17-501	Crop Insurance: Opportunities Exist to Improve Program Delivery and Reduce Costs

**AVAILABLE FUNDS AND STAFF YEARS**

*Table RMA-4. Available Funds and Staff Years (thousands of dollars, staff years (SY))*

<b>Item</b>	<b>2017 Actual</b>	<b>2017 SY</b>	<b>2018 Actual</b>	<b>2018 SY</b>	<b>2019 Estimate</b>	<b>2019 SY</b>	<b>2020 Budget</b>	<b>2020 SY</b>
Salaries and Expenses: .....								
Discretionary Appropriations ....	\$74,829	474	\$74,829	450	\$74,829	450	\$56,045	394
Federal Crop Insurance Fund: .....								
Mandatory Appropriations .....	4,865,607	-	6,486,000	-	9,422,000	-	8,937,000	-
Sequestration .....	-4,106	-	-5,247	-	-3,000	-	-	-
Transfers In .....	12,771	-	12,804	-	11,000	-	11,000	-
Transfers Out.....	-13,731	-	-14,264	-	-17,000	-	-17,000	-
Adjusted Appropriation .....	4,935,370	474	6,554,122	450	9,487,829	450	8,987,045	394
Balance Available, SOY.....	577,000	-	576,000	-	578,000	-	578,000	-
Other Adjustments (Net) .....	3,677,000	-	3,761,000	-	3,969,000	-	3,722,000	-
Total Available .....	9,189,370	474	10,891,122	450	14,034,829	450	13,287,045	394
Lapsing Balances.....	-768	-	-568	-	-	-	-	-
Balance Available, EOY .....	-577,000	-	-576,000	-	-578,000	-	-578,000	-
Obligations .....	8,611,602	474	10,314,554	450	13,456,829	450	12,709,045	394
Total, RMA .....	8,611,602	474	10,314,554	450	13,456,829	450	12,709,045	394

**PERMANENT POSITIONS BY GRADE AND STAFF YEARS***Table RMA-5. Permanent Positions by Grade and Staff Years*

Item	2017		2017 Actual Total	2018		2018 Actual Total	2019		2019 Estimate Total	2020		2020 Budget Total
	2017 D.C.	2017 Field		2018 D.C.	2018 Field		2019 D.C.	2019 Field		2020 D.C.	2020 Field	
SES.....	5	1	6	5	1	6	5	1	6	5	1	6
GS-15.....	9	5	14	9	5	14	8	5	13	5	5	10
GS-14.....	11	42	53	11	43	53	9	43	52	6	37	43
GS-13.....	30	178	208	28	172	206	29	172	201	18	148	166
GS-12.....	6	100	106	6	98	106	5	98	103	2	95	97
GS-11.....	2	20	22	2	18	22	2	18	20	1	18	19
GS-10.....	1	-	1	1	-	1	1	-	1	1	-	1
GS-9.....	4	21	25	4	20	25	4	20	24	2	20	22
GS-8.....	5	2	7	5	2	7	5	2	7	5	2	7
GS-7.....	1	17	18	1	17	18	1	17	18	1	17	18
GS-6.....	-	1	1	-	1	1	-	1	1	-	1	1
GS-5.....	-	1	1	-	1	1	-	1	1	-	1	1
GS-4.....	-	-	-	-	-	-	-	-	-	-	-	-
GM-14.....	-	1	1	-	1	1	-	1	1	-	1	1
GS-2.....	-	-	-	-	-	-	-	-	-	-	-	-
GS-1.....	-	-	-	-	-	-	-	-	-	-	-	-
Ungraded.....	0	2	2	0	2	2	0	2	2	0	2	2
Total Permanent ...	74	391	465	72	391	463	69	381	450	46	348	394
Unfilled, EOY .....	2	0	2	3	0	13	0	0	0	0	0	0
Total Perm. FT EOY	72	391	463	69	381	450	69	381	450	46	348	394
Staff Year Est. ....	78	396	474	73	403	476	69	381	450	46	348	394

**VEHICLE FLEET****Motor Vehicle Fleet**

RMA uses vehicles assigned to Regional Office (RO) and Regional Compliance Office (RCO) locations in the field to deliver mission critical services. Each RO and RCO is assigned a geographical area within the United States to perform monitoring, oversight, and underwriting activities of the Federal crop insurance program. The primary use of these vehicles is to perform site visits of crops and/or inspections of crop losses. In addition, they are used to attend conferences and meetings related to the agency's mission. For GSA-leased vehicles, RMA relies upon GSA to supply the agency with alternative-fueled vehicles as required by law.

**Table RMA-6. Size, Composition, and Annual Costs of Motor Vehicle Fleet<sup>a</sup>**

<b>Fiscal Year</b>	<b>Sedans and Station Wagons</b>	<b>Lt. Trucks, SUVs, and Vans (4x2)</b>	<b>Lt. Trucks, SUVs, and Vans (4x4)</b>	<b>Medium Duty Vehicles</b>	<b>Ambulances</b>	<b>Buses</b>	<b>Heavy Duty Vehicles</b>	<b>Total Vehicles</b>	<b>Annual Operating Costs<sup>b</sup></b>
2017	-	1	3	-	-	-	-	4	\$30
Change <sup>c</sup>	-	-	-	-	-	-	-	-	-
2018	-	1	3	-	-	-	-	4	30
Change	-	-1	+1	-	-	-	-	-	-
2019	-	-	4	-	-	-	-	4	30
Change	-	-	-	-	-	-	-	-	+2
2020	-	-	4	-	-	-	-	4	32

<sup>a</sup> Vehicle counts include those owned by agency and leased from commercial sources or GSA.

<sup>b</sup> Excludes acquisition costs and gains from sale of vehicles as shown in FAST.

<sup>c</sup> The amount of change from the previous year to the subsequent year.

**SHARED FUNDING PROJECTS-***Table RMA-7. Shared Funding Projects (dollars in thousands)*

Item	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
<b>Departmental Shared Cost Programs:</b>				
1890 USDA Initiatives.....	\$ 16	-	-	-
Agency Partnership Outreach .....	-	\$ 35	\$ 32	\$ 32
Classified National Security Information.....	3	-	-	-
Continuity of Operations Planning .....	9	-	-	-
Emergency Operations Center .....	10	-	-	-
Facility and Infrastructure Review and Assessment	2	-	-	-
Faith-Based and Neighborhood Partnerships.....	2	-	-	-
Hispanic-Serving Institutions National Program .	9	-	-	-
Human Resources Self-Service Dashboard .....	3	3	2	3
Human Resources Transformation.....	7	4	-	-
Identity and Access Management .....	30	-	-	-
Medical Services.....	5	5	5	5
Office of Customer Experience.....	-	9	13	15
People’s Garden.....	3	2	-	-
Personnel and Document Security .....	-	17	15	15
Personnel Security Branch.....	11	-	-	-
Security Detail .....	19	21	19	19
Security Operations.....	-	49	43	43
TARGET Center .....	6	6	5	5
USDA 1994 Program.....	4	-	-	-
USDA Enterprise Data Analytics Services.....	-	-	-	22
Virtual University .....	9	5	-	-
Total, Departmental Shared Cost Programs.....	148	156	133	157
<b>E-Gov:</b>				
Enterprise HR Integration .....	\$ 8	\$ 8	\$ 8	\$ 8
Financial Management LOB.....	1	1	1	1
HR Management LOB .....	1	1	1	1
Integrated Acquisition Environment.....	1	1	1	-
Disaster Assistance Improvement Plan.....	5	5	5	5
E-Rulemaking .....	23	28	24	-
Geospatial LOB .....	13	13	13	13
Gov Benefits .....	12	13	13	13
Grants.gov .....	-	-	-	-
Total, E-Gov .....	64	70	66	41

Item	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
<b>Working Capital Fund:</b>				
Administration .....	-	-	-	-
HR Enterprise System Management .....	\$ 4	\$ 5	\$ 5	\$ 5
Integrated Procurement Systems .....	16	20	22	23
Mail and Reproduction Services .....	71	58	67	70
Materiel Management Service Center .....	18	16	14	17
Communications .....	-	-	-	-
Creative Media and Broadcast Center .....	27	26	40	43
Correspondence Management Services .....	-	-	-	-
Office of the Executive Secretariat .....	32	29	23	23
Finance and Management .....	-	-	-	-
Financial Shared Services .....	408	384	392	385
Internal Control Support Services .....	154	150	171	171
National Finance Center .....	122	135	122	128
Information Technology .....	-	-	-	-
Client Experience Center .....	411	433	578	570
Digital Infrastructure Services Center .....	177	164	1,162	1,162
Enterprise Network Services .....	378	305	1,082	1,108
Total, Working Capital Fund .....	1,817	1,725	3,678	3,704

**ACCOUNT 1: SALARIES AND EXPENSES**

**LEAD-OFF TABULAR STATEMENT**

*Table RMA-8. Salaries and Expenses Lead-Off Tabular Statement*

<b>Item</b>	<b>Amount</b>
2019 Annualized Continuing Resolution	\$74,829,000
Change in Appropriation	-18,784,000
Budget Estimate, 2020	<u>56,045,000</u>

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**APPROPRIATIONS LANGUAGE**

The appropriations language follows (new language underscored):

For necessary expenses of the Risk Management Agency, \$56,045,000: 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).

**PROJECT STATEMENT****Table RMA-9. Salaries and Expenses Project Statement (thousands of dollars, staff years (SY))**

Item	2017 Actual	2017 SY	2018 Actual	2018 SY	2019 Estimate	2019 SY	Inc. or Dec.	Chg. Key	SY	2020 Budget	2020 SY
Discretionary Appropriations							-				
Salaries and Expenses.....	\$74,829	474	\$74,829	450	\$74,829	450	\$18,784	(1)	-	\$56,045	394
Subtotal.....	74,829	474	74,829	450	74,829	450	-18,784		-56	56,045	394
Transfers In:											
FCIA Farm Bill.....	8,731	-	8,764	-	7,000	-	-		-	7,000	-
Cong. Relations.....	40	-	40	-	-	-	-		-	-	-
Subtotal.....	8,771	-	8,804	-	7,000	-	-		-	7,000	-
Total Adjusted Approp. ....	83,600	474	83,633	450	81,829	450	-18,784		-56	63,045	394
Transfers Out:											
WCF IT Modernization.....	-	-	-500	-	-	-	-		-	-	-
Subtotal.....	-	-	-500	-	-	-	-		-	-	-
Lapsing Balances .....	-768	-	-568	-	-	-	-		-	-	-
Total Obligations .....	82,832	474	82,565	450	81,829	450	-18,784		-56	63,045	394

**JUSTIFICATIONS****Salaries and Expenses**

The Federal crop insurance program protects against agricultural production losses due to unavoidable causes such as drought, excessive moisture, hail, wind, hurricane, tornado, lightning, and insects.

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 the program is critical because:

- Farmers and ranchers rely upon crop insurance to protect them from the inherently risky business of agricultural production.
- America relies on the Federal crop insurance program to assist in keeping an abundant supply of food, and fiber flowing from farms and ranches, and to help ensure food security for the Nation.
- RMA maintains the actuarial soundness of agricultural crop insurance products and enhances efforts to detect and prevent waste, fraud, and abuse in the program.

(1) A decrease of \$18,784,000 for administrative and operating expenses.a) A decrease of \$17,058,000 in operating expenses.

In September of 2017, The Secretary announced the formation of a Farm Production and Conservation (FPAC) Business Center (FBC), to centralize administrative and information technology operations for RMA, NRCS and FSA that were formerly performed separately within each of those individual agencies. The FPAC Business Center is responsible for financial management, budgeting, human resources, information technology, acquisitions and procurement, customer experience, internal controls, strategic and annual planning. The funding level for RMA S&E reflects the shifting of these activities to the FBC.

b) A decrease of \$1,726,000 in administrative costs.

RMA will further reduce centralized administrative costs to bring its budget request within overall departmental levels. This reduction is sustainable, in part, because RMA's operations is enhanced by \$11 million in additional mandatory funding authorized in the Farm Bill for specific administrative and IT related costs, and spent directly out of the FCIC fund. The funding is further enhanced by the availability of \$20 million in mandatory funding from the fees collected from the sale of insurance policies, which can be for administrative and IT related costs, and spent directly out of the FCIC fund.

**GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS***Table RMA-10. Geographic Breakdown of Obligations and Staff Years (thousands of dollars, staff years (SY))*

<b>State/Territory/Country</b>	<b>2017 Actual</b>	<b>2017 SY</b>	<b>2018 Actual</b>	<b>2018 SY</b>	<b>2019 Estimate</b>	<b>2019 SY</b>	<b>2020 Budget</b>	<b>2020 SY</b>
Arkansas.....	-	-	120	1	120	1	120	1
California.....	2,915	25	2,868	27	2,868	27	2,868	27
Delaware.....	-	-	130	1	130	1	130	1
District of Columbia.....	40,711	73	37,418	69	36,448	69	26,897	46
Georgia.....	1,269	14	1,315	13	1,315	13	1,315	13
Idaho.....	-	-	480	4	480	4	480	4
Illinois.....	1,326	13	1,328	14	1,328	14	1,328	13
Indiana.....	1,424	16	1,525	15	1,525	15	1,525	15
Kansas.....	1,531	13	1,534	13	1,534	13	1,534	13
Louisiana.....	132	1	120	1	120	1	120	1
Michigan.....	121	1	120	1	120	1	120	1
Minnesota.....	3,345	32	3,439	31	3,439	31	3,439	31
Mississippi.....	1,194	10	1,196	11	1,196	11	1,196	11
Missouri.....	19,426	187	21,469	167	21,703	167	12,470	135
Montana.....	1,567	15	1,522	13	1,522	13	1,522	13
Nebraska.....	-	-	120	1	120	1	120	1
North Carolina.....	3,130	27	3,098	24	3,098	24	3,098	23
North Dakota.....	224	2	240	2	240	2	240	2
Oklahoma.....	1,089	10	923	10	923	10	923	10
Tennessee.....	135	1	135	1	135	1	135	1
Texas.....	1,518	20	1,614	20	1,614	20	1,614	20
Washington.....	1,682	13	1,511	8	1,511	8	1,511	8
West Virginia.....	93	1	100	1	100	1	100	1
Wisconsin.....	-	-	240	2	240	2	240	3
Obligations.....	82,832	474	82,565	450	81,829	450	63,045	394
Lapsing Balances.....	768	-	568	-	-	-	-	-
Total, Available.....	83,600	474	83,133	450	81,829	450	63,045	394

**CLASSIFICATION BY OBJECTS***Table RMA-11 Classification by Objects (thousands of dollars)*

Item No.	Item	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
	Personnel Compensation:				
-	Washington D.C. ....	\$8,601	\$10,130	\$10,130	\$5,051
-	Personnel Compensation, Field .....	37,762	35,038	35,039	30,016
11	Total personnel compensation .....	46,363	45,168	45,169	35,067
12	Personal benefits.....	15,138	15,016	15,015	13,932
13.0	Benefits for former personnel.....	13	22	21	12
-	Total, personnel comp. and benefits .....	61,514	60,206	60,205	49,012
	Other Objects:				1,500
21.0	Travel and transportation of persons.....	1,482	1,540	1,540	
22.0	Transportation of things.....	45	41	38	15
23.1	Rental payments to GSA .....	2,983	3,718	3,848	3,848
23.2	Rental payments to others.....	271	3	2	2
23.3	Communications, utilities, and misc. charges.....	1,071	984	760	699
24.0	Printing and reproduction .....	15	33	25	21
25	Other contractual services.....	2,449	7,391	7,221	3,057
25.1	Advisory and assistance services from Federal sources .	4,519	7,062	6,969	4,251
25.4	Operation and maintenance of facilities .....	225	1,149	888	370
25.7	Operation and maintenance of equipment .....	7,273	53	40	40
25.8	Subsistence and support of persons .....	250	27	20	19
26.0	Supplies and materials .....	191	169	130	97
31.0	Equipment.....	544	159	120	90
42	Insurance Claims and Indemnities.....	-	30	23	24
-	Total, Other Objects .....	21,318	22,359	21,624	16,233
99.9	Total, new obligations .....	82,832	82,565	81,829	63,045
	DHS Building Security Payments (included in 25) .....	\$413	\$0	\$0	\$0
	Position Data: .....				
	Average Salary (dollars), ES Position.....	\$178,072	\$179,500	\$181,000	\$183,000
	Average Salary (dollars), GS Position.....	\$91,462	\$97,400	\$98,000	\$98,000
	Average Grade, GS Position.....	12.3	12.1	12.2	12.3

***ACCOUNT 2: FEDERAL CROP INSURANCE CORPORATION***

**LEAD-OFF TABULAR STATEMENT**

*Table RMA-12. Federal Crop Insurance Corporation Lead-Off Tabular Statement*

<b>Item</b>	<b>Amount</b>
2019 Annualized Continuing Resolution	\$9,422,000,000
Change in Appropriation	-485,000,000
Budget Estimate, 2020	<u>8,937,000,000</u>

**APPROPRIATIONS LANGUAGE**

The appropriations language follows (new language underscored):

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.

**PROJECT STATEMENT****Table RMA-13. Project Statement (thousands of dollars, staff years (SY))**

Item	2017 2017 Actual	2017 SY	2018 Actual	2018 SY	2019 Estimate	2019 SY	Inc. or Dec.	Chg. Key	2020 SY	2020 Budget	202 SY
Mandatory Appropriations:											
Premium Subsidy .....	\$1,503,769	-	\$2,255,000	-	\$6,594,000	-	\$418,000	-	-	\$6,176,000	-
Delivery Expense .....	1,470,660	-	1,527,000	-	1,532,000	-	+41,000	-	-	1,573,000	-
Underwriting Gain .....	1,833,995	-	2,627,000	-	1,237,000	-	-109,000	-	-	1,128,000	-
Other Mandatory (Farm Bill) .....	39,704	-	57,000	-	40,000	-	-	-	-	40,000	-
Subtotal .....	4,848,128	-	6,466,000	-	9,403,000	-	-486,000	-	-	8,917,000	-
Crop Insurance Fees .....	17,479	-	20,000	-	19,000	-	+1,000	-	-	20,000	-
Total Appropriation .....	4,865,607	-	6,486,000	-	9,422,000	-	-485,000	(1)	-	8,937,000	-
Transfers In:											
AMA Funding .....	4,000	-	4,000	-	4,000	-	-	-	-	4,000	-
Total .....	4,000	-	4,000	-	4,000	-	-	-	-	4,000	-
Transfers Out:											
NIFA .....	-5,000	-	-5,000	-	-10,000	-	-	-	-	-10,000	-
RMA S&E .....	-8,731	-	-8,764	-	-7,000	-	-	-	-	-7,000	-
Subtotal .....	-13,731	-	-13,764	-	-17,000	-	-	-	-	-17,000	-
Sequestration .....	-4,106	-	-5,247	-	-3,000	-	+3,000	-	-	-	-
Transfers and Seq. (Net) .....	-13,837	-	-15,011	-	-16,000	-	3,000	-	-	-13,000	-
Total Adjusted Approp. ....	4,851,770	-	6,470,989	-	9,406,000	-	-482,000	-	-	8,924,000	-
							-				
Bal. Available, SOY .....	577,000	-	576,000	-	578,000	-	-	-	-	578,000	-
Recoveries, Other (Net) .....	3,677,000	-	3,761,000	-	3,969,000	-	-247,000	-	-	3,722,000	-
Bal. Available, EOY .....	-577,000	-	-576,000	-	-578,000	-	-	-	-	-578,000	-
Total Obligations .....	8,528,770	-	10,231,989	-	13,375,000	-	-729,000	-	-	12,646,000	-

**JUSTIFICATIONS****Federal Crop Insurance Corporation**

Base funding supports RMA's mission to serve America's agricultural producers through effective, market-based risk management tool and solutions to strengthen the economic stability of agricultural producers and rural communities. Continuation of the program is critical if the agency is to continue to provide actuarially sound risk management programs.

The FCIC provides actuarially sound risk management programs that protect against agricultural production losses from multi-peril risks such as drought, excessive moisture, hail, wind, hurricane, tornado, lightning, and insects.

- (1) A net decrease of \$485,000 is estimated for the Federal Crop Insurance Corporation (FCIC) Fund, (\$9,422,000 available in 2019).

The cost to FCIC is largely driven by the prices of commodities it insures. Commodity prices for several major crops are expected to decrease from their 2019 levels which will decrease the value of insurance and, in turn, decrease premium subsidies and underwriting gains.

**PROPOSED LEGISLATION**

The 2020 Budget includes four proposals that are designed to optimize the current crop insurance program so that it will continue to provide a quality safety net at a lower cost, as well as introduce a measure of means testing to the beneficiaries of the crop insurance subsidies.

**Program: Federal Crop Insurance Corporation Fund**

**Better Control Underwriting Gains to Insurance Companies:** The Budget proposes to reduce the generous subsidies provided to participating insurance companies by placing a "cap" on underwriting gains at 12 percent. A USDA commissioned study found that when compared to other private companies, crop insurance companies rate of return should be around 12 percent, but that it is currently expected to be 14 percent. This proposal will ensure that participating crop insurance companies receive a reasonable rate of return given the risks associated with their participation in the crop insurance rate of return given the risk associated with their participation in the crop insurance program. This proposal will save \$3 billion over the next 10 years.

*Table RMA-14. Program: Federal Crop Insurance Corporation Fund Budget Authority and Outlays*

	2020	2021	2022	2023	2024
Budget Authority	0	0	0	-\$417	-\$428
Outlays	0	0	0	-\$417	-\$428

**Program: Federal Crop Insurance Corporation Fund**

**Reduce Premium Subsidies for Crop Insurance:** The 2020 Budget proposes to reduce the percent premium subsidy provided under the Federal Crop Insurance program. Specifically, the premium subsidy for policies with harvest price coverage will be reduced by 15 percentage points, policies without harvest price coverage would be reduced by 10 percentage points. The proposal would not impact premium subsidy associated with catastrophic coverage. It would reduce the generous subsidies that are arguably no longer necessary to encourage participation, as crop insurance is now an established part of the farm industry's business plans. This proposal will save \$22 billion over the next 10 years.

*Table RMA-15. Program: Federal Crop Insurance Corporation Fund Budget Authority and Outlays*

	2020	2021	2022	2023	2024
Budget Authority	0	-\$2,253	-\$2,321	-\$2,507	-\$2,488
Outlays	0	-\$2,253	-\$2,321	-\$2,507	-\$2,488

**Program: Federal Crop Insurance Corporation Fund**

The 2020 Budget proposes to target crop insurance subsidies to those producers that have an Adjusted Gross Income (AGI) of \$500,000 or less. The current AGI limitation of \$900,000 is overly generous and does not apply to crop insurance subsidies. Strengthening the income test for crop insurance will improve program integrity. This proposal will save \$642 million over the next 10 years).

*Table RMA-16. Program: Federal Crop Insurance Corporation Fund Budget Authority and Outlays*

	2020	2021	2022	2023	2024
Budget Authority	0	-\$62	-\$69	-\$69	-\$68
Outlays	0	-\$62	-\$69	-\$69	-\$68

**Program: Federal Crop Insurance Corporation Fund**

**Eliminate reimbursements and automatic implementation for 508(h) crop insurance product development:** The 508(h) authority was enacted due to perceived delays in new product development for a variety of crops. Currently, there are fewer products for large crops that are pending development, and the farm bill typically mandates RMA to develop new insurance products for specific commodities if the need arises, or to prioritize research and development for certain commodities. RMA maintains the ability to develop new products internally, and the 2014 Farm Bill Act authorized buy-up coverage for the Non-Insured Assistance Program (NAP) for crops that are not covered by crop insurance, thereby lessening the need for products submitted by private submitters to fill a void in the marketplace.

Specifically the Budget proposes to eliminate reimbursements to the private sector for the development of new crop insurance products. It also proposes to change the approval process for new products under 508(h) to be at the discretion of the Federal Crop Insurance Corporation Board, and not mandatory. The proposal would change, as appropriate, the language from “shall” to “may” to allow for the government’s discretion in adding cost to the baseline for new products. This proposal would result in savings of \$120 million over ten years.

**Table RMA-17. Program: Federal Crop Insurance Corporation Fund Budget Authority and Outlays**

	2020	2021	2022	2023	2024
Budget Authority	-\$12	-\$12	-\$12	-\$12	-\$12
Outlays	-\$12	-\$12	-\$12	-\$12	-\$12

**GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS***Table RMA-18. Geographic Breakdown of Obligations and Staff Years (thousands of dollars, staff years (SY))*

State/Territory/Country	2017 Actual	2017 SY	2018 Actual	2018 SY	2019 Estimate	2019 SY	2020 Budget	2020 SY
Alabama .....	\$39,156	-	\$31,007	-	\$31,007	-	\$31,007	-
Alaska .....	40	-	24	-	24	-	24	-
Arizona .....	16,740	-	182,633	-	182,633	-	182,633	-
Arkansas .....	135,906	-	123,407	-	123,407	-	123,407	-
California .....	565,112	-	311,354	-	311,354	-	311,354	-
Colorado .....	71,317	-	131,321	-	131,321	-	131,321	-
Connecticut .....	2,472	-	1,335	-	1,335	-	1,335	-
Delaware .....	2,440	-	1,507	-	1,507	-	1,507	-
Florida .....	54,603	-	311,409	-	311,409	-	311,409	-
Georgia .....	97,563	-	165,066	-	165,066	-	165,066	-
Hawaii .....	1,339	-	954	-	954	-	954	-
Idaho .....	44,360	-	41,411	-	41,411	-	41,411	-
Illinois .....	401,915	-	132,883	-	132,883	-	132,883	-
Indiana .....	433,113	-	84,917	-	84,917	-	84,917	-
Iowa .....	120,273	-	164,491	-	164,491	-	164,491	-
Kansas .....	133,281	-	330,997	-	330,997	-	330,997	-
Kentucky .....	100,982	-	101,106	-	101,106	-	101,106	-
Louisiana .....	92,450	-	53,203	-	53,203	-	53,203	-
Maine .....	8,307	-	3,261	-	3,261	-	3,261	-
Maryland .....	8,302	-	7,169	-	7,169	-	7,169	-
Massachusetts .....	3,697	-	2,998	-	2,998	-	2,998	-
Michigan .....	63,943	-	103,668	-	103,668	-	103,668	-
Minnesota .....	131,065	-	152,105	-	152,105	-	152,105	-
Mississippi .....	129,667	-	99,638	-	99,638	-	99,638	-
Missouri .....	295,971	-	106,155	-	106,155	-	106,155	-
Montana .....	98,226	-	189,298	-	189,298	-	189,298	-
Nebraska .....	125,115	-	167,574	-	167,574	-	167,574	-
Nevada .....	25,598	-	16,262	-	16,262	-	16,262	-
New Hampshire .....	263	-	329	-	329	-	329	-
New Jersey .....	4,241	-	1,708	-	1,708	-	1,708	-
New Mexico .....	17,780	-	60,777	-	60,777	-	60,777	-
New York .....	48,411	-	44,757	-	44,757	-	44,757	-
North Carolina .....	287,948	-	153,546	-	153,546	-	153,546	-
North Dakota .....	279,518	-	473,499	-	473,499	-	473,499	-
Ohio .....	172,791	-	75,770	-	75,770	-	75,770	-
Oklahoma .....	68,571	-	172,564	-	172,564	-	172,564	-
Oregon .....	34,894	-	33,521	-	33,521	-	33,521	-
Pennsylvania .....	30,591	-	22,388	-	22,388	-	22,388	-
Rhode Island .....	73	-	183	-	183	-	183	-
South Carolina .....	147,062	-	37,226	-	37,226	-	37,226	-
South Dakota .....	174,098	-	302,315	-	302,315	-	302,315	-
Tennessee .....	43,311	-	45,269	-	45,269	-	45,269	-
Texas .....	472,587	-	1,357,590	-	1,357,590	-	1,357,590	-
Utah .....	3,513	-	21,230	-	21,230	-	21,230	-
Vermont .....	3,165	-	3,643	-	3,643	-	3,643	-
Virginia .....	41,183	-	34,737	-	34,737	-	34,737	-
Washington .....	177,052	-	128,011	-	128,011	-	128,011	-
West Virginia .....	1,194	-	811	-	811	-	811	-
Wisconsin .....	54,620	-	88,277	-	88,277	-	88,277	-
Wyoming .....	13,497	-	13,844	-	13,844	-	13,844	-
Distribution Unknown .....	3,481,848	-	4,142,840	-	7,285,851	-	6,557,851	-
Obligations .....	8,761,163	-	10,231,989	-	13,375,000	-	12,647,000	-
Bal. Available, EOY .....	577,000	-	576,000	-	578,000	-	578,000	-
Total, Available .....	9,338,163	-	10,807,989	-	13,953,000	-	13,225,000	-

**CLASSIFICATION BY OBJECTS***Table RMA-19 Classification by Objects (thousands of dollars)*

<b>Item No.</b>	<b>Item</b>	<b>2017 Actual</b>	<b>2018 Actual</b>	<b>2019 Estimate</b>	<b>2020 Budget</b>
25	Delivery Expenses.....	1,470,660	1,527,000	1,532,000	1,573,000
25.1	Other Mandatory (Farm Bill)...	39,704	57,000	24,000	27,000
25.2	Underwriting Gain/Loss.....	1,833,995	2,627,000	1,237,000	1,128,000
25.3	Program Related IT.....	17,479	19,000	19,000	20,000
42	Indemnities.....	1,503,769	2,255,000	6,594,000	6,176,000
	Total, Other Objects .....	4,865,607	6,485,000	9,406,000	8,924,000
99.9	Total, new obligations.....	4,865,607	6,485,000	9,406,000	8,924,000

## ***STATUS OF PROGRAMS***

The Federal Crop Insurance Corporation (FCIC), through the Risk Management Agency (RMA), administers the Federal crop insurance program in accordance with the 1938 Federal Crop Insurance Act (FCIA) (7 U.S.C. 1501 et seq.) as amended. RMA was established in 1996 as an agency within the United States Department of Agriculture (USDA) to administer the programs of FCIC, which is tasked to improve the economic stability of agriculture through a sound system of crop insurance and provide the means for the research and experience that is helpful in devising and establishing crop insurance. RMA's mission, which follows that of FCIC, 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 Objective to "provide an effective financial safety net for farmers and ranchers to sustain economically viable agricultural production and support rural jobs and economic growth."

## **CURRENT ACTIVITIES:**

### **Maintaining Actuarial Soundness**

As required by FCIA, RMA engages in frequent and ongoing analysis to ensure that premiums cover expected losses. The loss ratio, the industry standard to measure performance of insurance programs, is calculated by dividing the total indemnity by the total premium, which is a measure of indemnity (loss) paid per dollar of premium collected. Given annual variations in loss ratios, long-run program stability and actuarial soundness are measured based on historical average. The 20-year average loss ratio for the crop insurance program is 0.85, which is well within the 1.0 loss ratio mandated by the Federal Crop Insurance Act.

### **National Financial Operational Reviews (NFOR)**

Federal crop insurance is a public/private partnership. Approved Insurance Providers (AIPs) must meet statutory requirements and demonstrate the financial and operational capacity to be an AIP and enter into a Standard Reinsurance Agreement (SRA) with FCIC. RMA enhances program integrity and oversight by performing National Financial Operations Reviews (NFORs) of the AIPs who sell and service crop insurance. These reviews are conducted once every three years for each AIP. The purpose of the NFORs is to evaluate the financial stability and operations of AIPs in accordance with the SRA, including all policies and procedures. This performance ties directly to RMA's Strategic Plan Goal #4 "to safeguard the integrity of the Federal crop insurance program."

### **Acres Reporting Streamlining Initiative (ACRSI)**

To integrate precision ag/custom mapping data into existing business processes, RMA and FSA implemented a proof of concept for summer 2018 to expand capabilities to third party data providers to submit data on behalf of producers. The proof of concept resulted in multiple third parties connecting to USDA systems, yet were unable to generate producer participation in the pilot areas. Data was sent post-hoc and was used to verify system capabilities. USDA extended the proof of concept for the fall season in select counties in Nebraska for winter wheat to gather more data and test improved communications strategies. Several producers did submit data that USDA is currently analyzing to develop recommendations for future automation and policy refinements.

### **Multi-County Enterprise Units**

Based on customer feedback from farmers, RMA is allowing them to combine crop land from more than one county into a single insured unit. RMA is revising the definition of Enterprise Units (EUs), allowing them to be expanded into neighboring, contiguous counties. This creates a new option for farmers to better manage their risk and reduce premium rates.

### **Dairy Revenue Protection**

The FCIC Board of Directors approved an innovative new insurance product for dairy producers called Dairy Revenue Protection (DRP), a concept developed by a private submitter under the authority of the FCIA. DRP allows a dairy producer to purchase coverage against unexpected declines in price and/or yield for up to five quarters ahead. DRP provides several coverage options, allowing producers to insure specific classes of milk or specific milk components. This allows the insurance coverage to be tailored to the production and market risk of each unique dairy operation.

## Risk Management Education Partnership (RMEP) and Crop Insurance in Targeted States (TS) Programs

RMA awarded 80 cooperative agreements for a total of \$10.8 million, including 24 awards in 17 targeted states for \$4.7 million, and 56 RMEP awards for \$6.1 million in all 50 states. Award recipients include nine new organizations and two 1890 Land Grant Universities.

In FY 2018, the period of performance for awards was extended to eighteen months. Additionally, emphasis on agency priorities such as Whole-Farm Revenue Protection (WFRP), Pasture, Rangeland, and Forage (PRF), Agriculture, and Livestock were expanded to also include Crop Insurance 101, Cover Crops, Crop Insurance Education to Tribes, Food Handling and Produce Safety, Irrigation and Limited Irrigation and Drought, and Recordkeeping as a Risk Management Tool and Loan Requirements.

### Interagency Agreement

RMA and the Agricultural Marketing Service (AMS) entered into an interagency agreement for \$3.7 million for the RMA Good Agricultural Practices (GAP) Assistance Program. Through this program, AMS and its state partners will provide voluntary audits for producers located in Agricultural Management Assistance states through its existing USDA GAP Program and a credit will be applied to the bill for services to offset the fees for audit and certification costs.

### SELECT EXAMPLES OF RECENT PROGRESS:

#### Data Center Relocation

In October 2018, RMA closed their data center previously located in the Beacon Building and co-located it to the NITC Enterprise Data Center, which are both in Kansas City, MO. The closure reinforces the mission area commitment to support USDA future IT network modernization efforts. The co-location has resulted in improved enterprise-hosting infrastructure, provided Cloud based disaster recovery and storage back-up capabilities. The optimization of the servers has resulted in an operational cost avoidance of \$55,000/month.

#### Cover Crops in Iowa

For the 2018 crop year, RMA and the Iowa Department of Agriculture and Land Stewardship implemented an additional premium subsidy for farmers planting cover crops. The state of Iowa provided the funding for this program.

#### Final Planting Date Maps

Final Planting Date maps are established for individual crops and practices by state. These maps show local producers' final crop planting dates for insurance eligibility (without penalty). Previously all of RMA's regional offices spent a minimum of two staff weeks producing these maps. They were inconsistent in style, and sometimes not available for all crops and practices. In fiscal year 2018, RMA is further streamlining the process, ensuring consistency across the country, by automating these maps so they can be generated with the specific detail desired at any time by the public. A procedure that previously took over twenty staff-weeks will now soon be automated and fully available to the public. Producers and the public benefit from maps that are easy to read and consistent across the nation. In addition, RMA worked to improve the process, ensuring agency-wide consistency and 508 compliance.

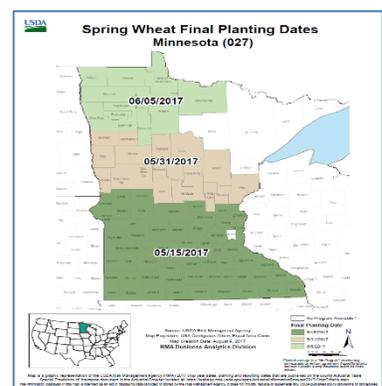


Figure 1. Final Planting Date Map

**FCIC’s Reduced Improper Payment Rate***Table RMA-20 Classification by Objects (thousands of dollars)*

FCIC Program Fund	FY 2015	FY 2016	FY 2017	FY 2018
Improper Payment (IP) %	2.20%	2.02%	1.96%	1.81%
Improper Payments	\$302M	\$232M	\$180M	\$184M

For each improper payment identified, RMA issues a finding to the AIP for resolution. Additionally, each year, RMA collects and analyzes data to identify the root causes for improper payments. Since FY 2015, RMA has relayed the types of errors (i.e., acreage reporting and production, records retention, invalid or missing signatures) identified during the Improper Payments Elimination and Recovery Improvement Act (IPERIA) reviews to the AIPs, to help them better identify and control the reasons for the errors.

Over half of the errors are related to Audit of Production History (APH), which includes the acceptability of production records and the accuracy of production certification. RMA updated the 2018 Crop Insurance Handbook outlining exceptions to assigned yields when production certification doesn’t match production evidence. In addition, RMA edited the production evidence language in the 2019 Crop Insurance Handbook to improve clarity and minimize burdensome reporting requirements for acceptable records.

A Regional Compliance Office, in collaboration with RMA’s Business Analytics Division and geographic information system specialists, is conducting a program review to help identify land that is chronically unavailable for planting and/or ineligible for inclusion on an acreage report.

**Fraud, Waste, and Abuse**

RMA continues to utilize data-mining to identify potentially fraudulent activity and stem abuse in the crop insurance program. RMA has an agreement with the Center for Agribusiness Excellence (CAE) to conduct data mining. RMA utilizes the results of CAE’s data mining to detect potential cases of fraud, waste, or abuse by: (1) developing scenarios of potential program abuse by farmers, insurance agents, and loss adjusters; and (2) querying the database containing crop insurance data and information on weather, soil, and land surveys to generate reports and lists of participants with anomalous claim payments. For example, RMA develops an annual list of producers (i.e., spot-check list) whose operations warrant an on-site inspection because their claims exhibit patterns consistent with the potential for fraud and abuse.

RMA works hand-in-hand with USDA’s Office of the Inspector General (OIG) to address cases of potential fraud, waste, and abuse. RMA refers all allegations of fraud to OIG to open a case, as appropriate, and collaborates with OIG to develop the case for presentation to the Department of Justice.

**AIP Performance Review (APR) Process Improvement**

RMA completed its second year of its 3-year APR process cycle. RMA initiated reviews of five AIPs for FY 2019. This will complete the review of all AIPs within a 3-year cycle, which will begin again in FY 2020. The purpose of the APR is to determine that the AIPs are complying with the SRA requirements.

**Multi-Year Written Agreement Issuances**

In 2016, RMA began an extensive review of the written agreement and determined yield processes. One area of improvement identified was to begin issuing multi-year written agreements when the Regional Office determined it would be appropriate. These agreements allow for RMA to monitor the performance of these manually underwritten policies but does not require them to be renewed year by year which requires a significant amount of time and review. In FY 2018 RMA issued over 5,268 which would equate to 4,417 staff hours of time savings.

**Other Program Improvements**

RMA improved how cotton quality losses are covered, making coverage more responsive to smaller losses. RMA also improved how Whole Farm Revenue protection accounts for producers who also have non-reinsured coverage on their crops, allowing both policies to work together more effectively. RMA implemented a new insurance product for triticale and added a new coverage option for sugarcane that provides payments to replace plants destroyed in their first or second year. Coverage for blueberries was expanded to include blueberries planted in containers (in select CA counties).

***AGENCY-WIDE PERFORMANCE***

The Risk Management Agency (RMA) was established in 1996 to administer the Federal crop insurance program, in accordance with the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) as amended. The mission of the agency is serving America’s agricultural producers through effective, market-based risk management tools to strengthen the economic stability of agricultural producers and rural communities. Federal crop insurance is available to producers through private insurance companies (Approved Insurance Providers - AIPs) that market and service policies and also share in the risk. Thus, the program delivery is a joint venture between the Federal government and the private insurance industry. Activities of RMA align with the new USDA 2018-2022 Strategic Plan Goal 2, Strategic Objective 2.1: Provide an effective financial safety net for farmers and ranchers to sustain economically viable agricultural production and support rural jobs and economic growth.

**SUMMARY OF PERFORMANCE**

RMA has one Key Performance Measure that contributes to the Department’s Strategic Goal 2: Maximize the Ability of American Agricultural Producers to Prosper by Feeding and Clothing the World.

*Table RMA-21 The annual normalized value of risk protection provided to agricultural producers through the Federal Crop Insurance program*

	<b>2017 Actual</b>	<b>2018 Actual</b>	<b>2018 Target</b>	<b>2018 Result</b>	<b>2019 Target</b>	<b>2020 Target</b>
\$ Billion	\$74.6	76.8	64	Exceeded <sup>a</sup>	76.8	77.0

**Selected Past Accomplishments Toward Achievement of the Key Outcomes:**

RMA exceeded its Fiscal Year 2018 Target Goal. The measure represents the growth of the Federal crop insurance program and represents a steady progression in program growth. Examples of RMA’s accomplishments in FY 2018 include:

- Implementing a Memorandum of Understanding with the Iowa Department of Agriculture and Land Stewardship to provide an additional premium subsidy in Iowa for farmers planting cover crops. The state of Iowa provided the funding for this program.
- Supplemental Coverage Option (SCO) was revised to allow more flexibility for farmers to vary and/or choose their coverage according to their risk management needs.

RMA is expanding producer coverage with Dairy Revenue Protection, a new program released in October 2018, which insures against unexpected declines in quarterly milk revenue. Additionally, new insurance coverage will be in place for caneberries, starting with the 2019 crop year.

Over the last four years, RMA has gradually and continuously reduced its improper payment rate from a high of 5.58% in 2014 to 1.81% in FY 2018. RMA has begun its FY 2019 IPERIA review (of reinsurance year 2017 policies). The current IPERIA sample is comprised of 402 policies which cover 38 states, 48 crops, and 14 different crop insurance plans.

**Selected Accomplishments Expected at the FY 2020 Proposed Resource Level:**

RMA is updating policy and procedure including revising the High-Risk Alternative Coverage Endorsement to allow a separate unit structure from standard rated land, and implementing multi-county Enterprise Units (EU), which allow acreage from a county that does not qualify for an EU to be included in the EU for a neighboring county.

RMA is developing a new policy for nursery crops. It will have simplified process for loss adjustment and for establishing coverage, making it more accessible to producers than the current nursery policy. The new pilot nursery policy will initially be tested in a limited number of areas, while the current policy will continue to be available.

<sup>a</sup> Changes in planting and insurance coverage decisions can have a significant impact on the annual normalized value of risk management, creating significant year-to-year changes.

RMA is evaluating the current insurance policy for apples, and, based on the evaluation, will be revising coverage for apples intended for the fresh market.