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Appropriations

FARM SERVICE AGENCY

Statement of Val Dolcini, Administrator
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies

Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to provide information on Farm Service Agency (FSA) programs and funding. Our Fiscal Year (FY) 2016 Budget emphasizes our commitment to implement the Agricultural Act of 2014 (2014 Farm Bill), support the next generation of farmers and ranchers, be an open and accessible information gateway to rural America, and be employee and customer friendly while providing efficient and effective customer service. We will continue to invest in modernizing our technology operations to the benefit of farmers and ranchers.

Agency Operations

FSA delivers its programs through 2,124 county-level USDA Service Centers of which 2,081 are full-time offices and 43 are part-time offices located in the 50 states as well as Puerto Rico, the Virgin Islands, and the Western Pacific Territory. FSA has 50 State offices and offices in Washington, DC, Kansas City, St. Louis and Salt Lake City. At the end of FY 2014, FSA's Federal staff year equivalent was 3,922. FSA non-Federal staff year equivalent in USDA Service Centers was 7,492. Total FSA staff year equivalent was 11,414, of which 10,263 were in State and county offices.

Business Processes and Strategy

In FY 2015, FSA is working to focus our business strategy. Our Agency assets consist of the largest repository of farm record data in the U.S.; extensive farmer and rancher business operation information; current and historical acreage and planting records; and a robust rural geospatial mapping warehouse. FSA is uniquely positioned to be a gateway for farmers and ranchers to access a broad range of agricultural resources as we continue to deliver programs that strengthen the financial safety net. In support of this, FSA developed a program service delivery model incorporating strategic partnerships across USDA, State and local agriculture organizations and commodity groups on core customer business processes. For example, FSA

offices can act as the bridge to opportunities showing a dairy farmer how to access federal and local grants or loans to install an anaerobic digester on his/her farm or a cash crop producer how to access local markets to sell fruits and vegetables as a complement to his or her existing business. This will help producers become more successful and the greater agricultural economy will thrive.

The business plan focuses on improving customer application processes; streamlining program delivery; providing additional customer technical assistance; sharing data needed for eligibility determination; improving the timeliness and correctness of loans, payments, program compliance, providing new customer self-service options, and addressing pain points and inefficiencies identified by field office staff as impacting their effectiveness in servicing customers.

Information Technology

FSA will deliver incremental improvements to the entire portfolio of FSA projects and operations, including Modernize and Innovate Delivery of Agriculture Systems (MIDAS), to determine, deliver and sustain an integrated set of farm program delivery applications and services. Improvements in the pipeline range from items such as simplifying the printing of farm maps or customized reports to continuing the incremental integration of stove-piped systems through establishing or enhancing common eligibility, payment and obligation frameworks. While the producer would not see a difference in the information provided or the general process, the field office employee efficiency from less toggling between systems or redundant data entry should result in either fewer or significantly shorter visits to the office.

With continued attention to business process and IT integration, FSA can focus on improving customer application processes; streamlining program delivery; providing additional customer technical assistance; sharing data needed for eligibility determination; improving the timeliness and accuracy of loans, payments, and program compliance; and, providing new customer self-service options. The ability to meet these business objectives clearly depends on IT systems and services critical to its daily operations. As a result, FSA's highest, near-term IT priority is to ensure the availability, security and integrity of the current portfolio of IT applications and services – services that are used every day by FSA employees, thousands of USDA partner agency employees, and over 8 million customers. To reduce our reliance on high-risk antiquated technology and improve system integration, FSA has completed the migration of

both Conservation contract maintenance and Farm Storage Facility Loans functionality from the AS400 technology. FSA is in the process of completing work to migrate the Automated Price Support System (APSS) application that supports Marketing Assistance Loans (MAL)–the last business application remaining on the AS400. While the program delivery technology risks are being minimized, additional focus is required on properly securing and providing access to historical data on the AS400. FSA's continued efforts to streamline, modernize, and automate the delivery of farm programs and agricultural systems met two significant milestones with the releases of MIDAS Farm Records and Business Partner. MIDAS combines producer and land information with Geographic Information System data (GIS), reducing duplicative data when farmers and ranchers conduct business at any FSA County office. The newest business process improvement includes automatic validation of address and tax information at the time of entry, which further reduces improper payments and improves record accuracy. The USDA vision for the Acreage and Crop Reporting Streamlining Initiative (ACRSI) is to "have a common USDA framework for producer commodity reporting in support of USDA programs". In FY 2015, USDA will implement a pilot for Iowa and Illinois, enabling producers to report common data including core customer information just once, provide access to Common Land Unit and farm data electronically nationwide, and complete an alternatives analysis to support the long-term strategy.

To best serve the agriculture community in FY 2016 and the future, FSA has placed additional emphasis and resources on ensuring that the IT investments, decisions, and operational plans are driven by business needs across the agency. With the Business Strategy, followed by the Information Technology Strategy, FSA is now better able to define strategies and roadmaps, make trade-off decisions, and develop improved operational expenditure plans for IT capability implementation. Moving forward, these efforts aim to provide continuous business process improvements to our applications and services, support changes to program legislation, business requirements and technology, and enable new customer models that support FSA as it becomes the gateway for farmers and ranchers to access rural and agricultural support services.

Program Update

FSA has moved forward very quickly with implementation of the 2014 Farm Bill. The new disaster assistance programs were rolled out in under 10 weeks following passage of the 2014 Farm Bill—80 percent faster than in 2008. FSA continues to process payments for 2012

through 2014 disaster programs—including the Livestock Forage Disaster Program (LFP), Livestock Indemnity Program (LIP), Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish (ELAP), and the Tree Assistance Program (TAP). As of March 4, 2015, FSA has issued over half a million payments to producers since last spring, totaling nearly $5 billion.

The 2014 Farm Bill made significant changes to FSA's safety net programs. The 2008 Farm Bill's Direct and Counter-Cyclical Program and the Average Crop Revenue Election program were repealed and replaced by two new programs: Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC). We are currently within the window for farmers to take advantage of a one-time opportunity to reallocate a farm's base acres and to update the farm's payment yields. Producers are also within the window to elect ARC or PLC coverage for their farms. We worked closely with our university partners who developed on-line decision tools so that farmers can examine the ramifications of adopting ARC or PLC for their individual operations and with these and other university partners on an extensive ARC/PLC education and outreach efforts.

Upland cotton is the only covered commodity that is not eligible to participate in ARC or PLC, but rather, it is eligible for the new Stacked Income Protection Plan (STAX) offered by the Risk Management Agency (RMA). Until STAX becomes available in a county, upland cotton is eligible for Cotton Transition Assistance Payments (CTAP) made by FSA for 2014 and 2015 crops. FSA has paid about $540 million to over 184,000 farms for 2014 CTAP payments; 2015 CTAP payments will drop off dramatically as STAX becomes available.

FSA has implemented the new Margin Protection Program for Dairy (MPP-Dairy) and over 23,000 producers—over half of all U.S. dairy operations—have enrolled for calendar year 2015 coverage. The new MPP-Dairy offers dairy producers: (1) catastrophic coverage, at no cost to the producer after an annual $100 administrative fee; and (2) various levels of buy-up coverage. Catastrophic coverage provides payments to participating producers when the national dairy production margin is less than $4 per hundredweight (cwt). Producers may purchase buy-up coverage, for a premium, that provides payments when margins are between $4 and $8 per cwt. During the three months of enrollment, FSA held more than 500 public meetings, sent out nearly 60,000 direct mailings, and conducted more than 400 demonstrations of the web-based MPP tool designed to help applicants calculate their specific coverage needs.

The Marketing Assistance Loan program and sugar loans continue mostly unchanged. The Noninsured Crop Disaster Assistance Program (NAP) was expanded to include protection at higher coverage levels, similar to buy-up provisions offered under the Federal Crop Insurance Program. The 2014 Farm Bill also included retroactive NAP assistance for losses to 2012 fruit crops grown on trees and bushes that had Secretarial disaster designations for frost or freeze. To date, FSA has made 635 payments totaling over $13.3 million.

FSA at every level is very much focused on assisting producers to understand these programs. Overall, FSA employees have participated in over 3,300 producer meetings nationwide. We awarded $3 million to universities to develop online tools to help producers make the best ARC/PLC, MPP-Dairy, and NAP decisions for their operations. In addition, FSA awarded $3 million to State extension services for an educational effort on the new farm bill programs which have been in full swing for some time.

Currently, 24.3 million acres are under Conservation Reserve Program (CRP) contracts including 18.2 million acres under general signup and 6.1 million acres under continuous signup. CRP contracts on 1.9 million acres are set to expire September 30, 2015. Given the reduced enrollment authorities, we expect general signups to become much more competitive in the future, which will likely increase the environmental benefits on a per-acre basis. We will also continue to pursue continuous signup options to target the most environmentally-sensitive acreage.

Regarding credit, almost all farm loan programs are authorized permanently through the Consolidated Farm and Rural Development Act. However, the 2014 Farm Bill makes several program changes and enhancements, provides some additional authorities, and reauthorizes the Mediation Program and the Individual Development Account (IDA) grant pilot program which supports a savings incentive program for low-income beginning farmers. Several of the changes are mandatory and were implemented by FSA on March 3, 2014. These changes provide more favorable interest rates for joint financing arrangements, provide a larger percent guarantee on guaranteed conservation loans, increase the loan limits for the down payment loan program, make youth loans available in urban areas, and eliminate the term limits for guaranteed operating loans.

On March 26, 2014, FSA implemented additional mandatory changes which enhance the microloan program for beginning and veteran farmers. The 2014 Farm Bill also expands the

types of entities eligible for loan programs and authorizes changes to the highly successful microloan program, which were implemented in early November. Additionally, FSA received authority to implement a relending program to help Native American producers purchase fractionated interests of land; this program is under development.

Budget Requests

Commodity Credit Corporation (CCC)

CCC FY 2016 baseline expenditures are projected to be $10.4 billion, an increase from approximately $7.6 billion forecast for FY 2015, which is primarily due to the initial year of estimated payments for both the ARC and PLC programs. In FY 2014, $11.1 billion was expended, as compared to $8.3 billion in FY 2013. The increase was primarily due to disaster payments authorized under the 2014 Farm Bill.

CCC is authorized to replenish its borrowing authority, as needed, through annual appropriations up to the amount of net realized losses recorded in CCC's financial statements at the end of the preceding Fiscal Year. In FY 2015, CCC received $13.5 billion for reimbursement of 2014 losses.

Loan and Grant Programs

The FY 2016 Budget proposes $6.4 billion in loan level for farm loans, including $2.9 billion for direct loans and $3.5 billion for guaranteed loans, the same level enacted in FY 2015. Only $69 million in budget authority will be necessary to provide this level of assistance. Direct Farm Ownership Loans are proposed at a loan level of $1.5 billion. A loan level of $1.25 billion is proposed for Direct Farm Operating Loans. At least 85 percent of the amount appropriated for Direct Farm Ownership Loans and at least 60 percent of the amounts appropriated for Direct Farm Operating Loans will be reserved for qualified beginning and socially disadvantaged farmers and ranchers for the fiscal year.

For Guaranteed Farm Ownership Loans, the FY 2016 Budget proposes a loan level of $2 billion. The requested loan level is expected to meet the increased demand for this program. For Guaranteed Farm Operating Loans approximately $1.4 billion in loan level is proposed for FY 2016.

A portion of both direct and guaranteed farm operating and ownership loan funds is targeted to socially-disadvantaged borrowers, based on county level demographic data. The statutory targets vary by loan program.

For Emergency Disaster Loans, FSA is requesting $1.3 million to support a $34.7 million loan level. In addition, the Budget proposes loan levels of $2 million for Indian Tribal Land Acquisition Loans and $60 million for Boll Weevil Eradication Loans.

FSA requests $2.5 million for the Individual Development Account (IDA) grant program to help low-income beginning farmers and ranchers build-up savings to expand their enterprises. The FY 2016 budget also requests $150 million for Guaranteed Conservation Loans and $10 million for the Indian Highly Fractionated Land Program which is a direct loan program that provides authority to make and insure loans to eligible purchasers of highly fractionated land under the Indian Land Consolidation Act.

For State Mediation Grants, the FY 2016 Budget requests approximately $3.4 million for 38 States to assist in continuing cost-effective alternative dispute resolution programs that deal with disputes involving a variety of agricultural issues.

Salaries and Expenses

The FY 2016 Salaries and Expenses Budget is approximately $1.5 billion, including credit reform transfers, which is a net decrease of $11.9 million from the FY 2015 Enacted level. This request for operational support within FSA reflects our continued commitment to providing farmers and ranchers with the highest levels of customer service while maximizing resources in the most efficient manner possible.

The budget includes a net increase of $12.8 million for salaries and benefits associated with 3,171 federal FTE's and 7,589 non-federal FTE's, including 200 temporary positions. I am grateful to the hard working men and women of FSA, both in the field and at headquarters, who make sure that America's farmers and ranchers receive the support they deserve.

Beginning Farmers and Ranchers

The request includes a $4 million increase to support our outreach efforts for new and beginning and veteran farmers and ranchers. This investment will support three overarching goals to assist new producers in overcoming the two most commonly-cited barriers -- the inability to access sufficient capital and a lack of financial literacy and business training. Specifically, this investment will support $2 million for outreach coordinators to facilitate and guide beginning farmer outreach, provide support and cross-cutting customer service training for USDA employees in the field, and enhance partnerships within regional, State, and local communities including with the agricultural community, the lending community, and others. In

addition, $2 million in cooperative agreements will enter into with private organizations to leverage financial literacy, enhance technical assistance, and provide loan support to new and beginning farmers and ranchers, including leveraging tribal resources in Indian country, and leveraging urban organizations to help urban beginning farmers.

Operational Efficiencies

The FY 2016 Budget assumes $43.4 million in savings that will be achieved by examining all areas of operations. One area of anticipated savings is in travel costs, thanks to the reduced cost of fuel in FY 2016. Proposed technology efforts are also anticipated to create efficiencies in areas such as printing. Additional savings will be achieved through the reduction of contractor support related to management services.

Information Technology

The FY 2016 Budget request includes funding in the amount of $345.8 million for information technology, which is a net $14.7 million increase above FY 2015. With the progress being made on the Farm Bill, funding for the implementation of new Conservation, Farm Loan, Biomass Crop Assistance Program, and Noninsured Crop Assistance Program provisions will decrease by $9.8 million. Based on IT operational needs, the request includes an increase of $5.0 million for Shared Services provided by USDA OCIO to provide data center and end-user support for general information technology needs such as increasing network capacity and printing services at the local service center. An increase of $12.6 million is requested for improved online customer self-service and the expanded USDA Customer Service initiatives and for supporting the Secretary's vision of leveraging the FSA footprint of 2,124 rural offices and farmer data repository provide farm service support for other USDA agencies, State and local agriculture organizations. Furthermore, to support the underlying core program delivery applications, the request includes a net increase of $6.9 million to implement process improvements to benefit staff productivity, customer service, and improved IT system integration. This net increase of $6.9 million is based on a decrease of $12.3 million for MIDAS due to its transition from development to maintenance and an increase of $19.2 million for increased IT investments to support FSA process improvements. Improvements include simplifying the printing of farm maps, improving integration with IRS to reduce improper payments, and continuing the integration of business processes by establishing common signup or enhancing common eligibility, payment, and obligation frameworks.

Mr. Chairman, this concludes my statement. I will be happy to answer your questions and those of the other Subcommittee Members.

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