Statement by

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Mr. Chairmen, Ranking Members, and members of the Subcommittees, it is a privilege to be here today to talk with you about the implementation of the sequestration ordered on March 1, 2013, in accordance with the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended, within the Department of Agriculture (USDA).

The 2012 budget for USDA was $151.8 billion, which was the 5th largest budget in the Federal government. USDA's discretionary program budget authority, about $24 billion, or about 16 percent of total USDA budget authority, includes the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); food safety; rural development; research; marketing and technical assistance; soil and water conservation technical assistance; Forest Service programs; international programs; and program management. Mandatory budget authority comprises about 84 percent of the budget, or $127.7 billion in FY 2012. These programs include commodity and trade programs, crop insurance, a number of conservation programs, and the larger domestic nutrition assistance programs (such as the Child Nutrition and Supplemental

Nutrition Assistance Programs). Based on the annual appropriation acts, farm bills, and other authorizing statutes, USDA has a very complex and detailed account structure.

As Members are aware, the President was required by law to issue a sequestration order on March 1, 2013, canceling $85 billion in budgetary resources across the Federal government for the remainder of the fiscal year. Sequestration requires a reduction of 5 percent to non-exempt non-defense discretionary funds and 5.1 percent to non-exempt non-defense mandatory funds. Moreover, because these cuts must be achieved over the remaining seven months of the fiscal year, the effective percentage reductions are closer to 9 percent.

The statute exempts several of the Department's larger programs from sequestration. Those exemptions include: the Supplemental Nutrition Assistance Program; Child Nutrition Programs, including the National School Lunch Program, but excluding the Special Milk Program; the Commodity Supplemental Food Program; the Conservation Reserve Program; and prior obligations of the Federal Crop Insurance Program.

As a result of sequestration, the Department's overall budget has been reduced by nearly $2 billion for the remainder of the fiscal year. About two thirds of those cuts come from programs funded by discretionary appropriations and one third from mandatory programs, including those authorized through the Farm Bill.

The statute provides requirements on how the reductions are to be calculated by the Office of Management and Budget (OMB) and allocated across the Department's programs, projects, and activities (PPA). OMB calculates the sequestration percentage that applies to each account. The statute then requires the reductions to be applied equally to each PPA within a budget account.

The statute defines PPAs as the items delineated in an appropriation Act or accompanying report, or, for items not provided for in an appropriation Act, in the President's budget. For USDA, that includes the most specific level of budget items identified in the Agriculture and Interior appropriation acts and accompanying reports. There are separate PPAs for each research location for the Agricultural Research Service and separate PPAs for each State for several Farm Service Agency accounts. Overall, USDA has identified over 920 PPAs in more than 110 separate accounts.

The Department began the process to identify PPAs and apply the BBEDCA's special rules on exemptions in December 2011. Given the broad scope and varied nature of USDA programs and funding accounts and the unique nature of sequestration, its application is complex and has involved significant effort working closely with agency budget officers, the Office of the General Counsel, and OMB. Agencies have been responsible for planning how to implement sequestration given their account structure and PPAs within those accounts. As the agencies move forward, the Secretary has asked them to implement sequestration in an equitable and fair manner, and in the least disruptive manner possible that protects the Department's ability to perform our mission above all else to the extent possible. To that end, where appropriate, the Department could use its limited interchange transfer authority (7 U.S.C. 2257), which allows for transfers of up to 7 percent among certain accounts within an individual USDA agency, and reprogramming authority as it implements sequestration. However, depending upon the specific structure of an agency's accounts and the laws applicable to those accounts, more or less flexibility may be available to minimize the impact of the reductions. For example, based on the account structure of the programs administered by the Farm Service Agency, the Secretary could use the limited interchange authority to transfer funds among the several mandatory farm programs to avoid the administrative burden and disruption many producers would face if required to refund a portion of payments they have already received. In contrast, as Members are likely aware, the Food Safety and Inspection Service (FSIS) is in a position of potentially needing to furlough employees for up to 11 days as a result of sequestration. The interchange authority would not assist FSIS in addressing its shortfall because there are no other accounts from which the agency could transfer funds to offset the shortfall.

In closing, I would reiterate that the USDA budget is complex and covers a broad range of programmatic activity. This complexity, when combined with the requirements of the statute and current uncertainty regarding full-year funding levels, presents a wide range of challenges when implementing sequestration in the various agencies and offices of the Department.

Mr. Chairmen, I hope that this overview is useful to the Subcommittees. I would be glad to answer questions you and members of the Subcommittees may have.