

2010 Explanatory Notes  
Risk Management Agency

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## RISK MANAGEMENT AGENCY

Purpose Statement

The Risk Management Agency (RMA) was established under provisions of the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act), P.L. 104-127, approved April 4, 1996. This Act amended the Department of Agriculture Reorganization Act of 1994, P.L. 103-354, Title II, to require that the Secretary establish within the Department an independent office responsible for supervision of the Federal Crop Insurance Corporation (FCIC), administration and oversight of programs authorized under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.), including delivery of program services through local offices of the Department, any pilot or other programs involving revenue insurance, risk management savings accounts, or the use of the futures market to manage risk and support farm income that may be established under Federal Crop Insurance Act or other law, and such other programs as the Secretary considers appropriate. Title I, Subtitle D, Section 142 of the Agricultural Risk Protection Act (ARPA) of 2000, P.L. 106-224, approved June 20, 2000, modifies this, reestablishing the general provision of the FCIC by a Board of Directors, subject to the general supervision of the Secretary.

Over the past six decades, Federal crop insurance has been the primary product provided by the FCIC/RMA and consists of various alternatives designed to improve the economic stability of agriculture. Recent legislative mandates have 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 tries to identify and address concerns about Federal crop insurance.

RMA continues to evaluate risk management products, review and approve private sector products to be reinsured by FCIC, and ensure delivery of these products to agricultural producers. Risk management products can help producers protect themselves from yield risks, market risks, or both. Examples of more recent new and innovative insurance tools are revenue insurance, forage, rangeland, specialty crops, and livestock pilots. Education, outreach, and non-insurance risk management assistance initiatives and tools further contribute to the producers' ability to protect their financial stability. Through the effective use of these tools, agricultural producers will have available a cost-effective means of managing their risk in order to improve the economic stability of agriculture.

RMA estimates 568 FTEs for fiscal year (FY) 2010 and has staff at the Headquarters office in Washington, D.C., the National office in Kansas City, MO, 10 Regional Offices (ROs), and six Regional Compliance Offices (RCOs). As of September 30, 2008, RMA had 480 staff years with 474 permanent full-time employees on board located throughout the Nation as follows: 78 at Headquarters in Washington, D.C., 164 at the National Office in Kansas City, MO, 152 in ROs, and 80 in RCOs.

Major RMA functional areas include: Program Management/Office of the Administrator (OA): OA consists of the following: Administrator's Staff, Civil Right and Community Outreach Staff, External/Congressional/Public Affairs, Financial Management Staff, and Program Support Staff. Product Management (PM): PM consists of the following: Deputy Administrator's staff, Product Analysis and Accounting Division, Product Administration and Standards Division, and Actuarial and Product Design Division. Insurance Services Division (ISD): ISD consists of the following: Deputy Administrator's staff, Reinsurance Services Division, Risk Management Education Division, Risk Management Services Division, and 10 ROs located in the following cities: Billings, Montana; Jackson, Mississippi; Oklahoma City, Oklahoma; Raleigh, North Carolina; Davis, California; St. Paul, Minnesota; Spokane, Washington; Springfield, Illinois; Topeka, Kansas; and Valdosta, Georgia. Risk Compliance: Compliance consists of the following: Deputy Administrator's staff, Insurance Operations Division, Policy, Procedures and

Evaluation Division, and six regional compliance offices at the following locations: 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 and in progress during FY 2008.

<b>OIG/GAO AUDITS COMPLETED IN FISCAL YEAR 2008</b>		
<b>REPORT TITLE</b>	<b>IDENTIFYING NUMBER</b>	<b>DATE ISSUED</b>
<b>Crop Losses and Quality Adjustments for Aflatoxin-Infected Corn:</b> The objective of this audit was to evaluate the adequacy of management controls over quality adjustments used in making indemnity payments on CYs 2005 and 2006 aflatoxin-infected corn insurance claims.	05601-15-TE	9/30/08
<b>Audit of ARPA Related Contracts and Partnership Activities:</b> The objectives of this audit were to determine if (1) RMA properly administered, controlled, and monitored ARPA related contracts and agreements to ensure ARPA provisions were effectively and efficiently implemented; (2) contracts and agreements awarded met intent of ARPA; (3) RMA used ARPA contract and agreement deliverables to improve crop insurance program; and (4) contracts and agreements were awarded in accordance with applicable laws, regulations, policies and procedures.	05099-112-KC	5/09/08
<b>FCIC/RMA Financial Statements for Fiscal Years 2007 and 2006:</b> The report presents the auditors' opinion on the Risk Management Agency and Federal Crop Insurance Corporation principal financial statements for the fiscal years ended September 30, 2007, and 2006.	05401-16-FM	11/09/07

<b>OIG/GAO AUDITS IN PROGRESS DURING FISCAL YEAR 2008</b>		
<b>REPORT TITLE</b>	<b>IDENTIFYING NUMBER</b>	<b>START DATE</b>
<b>FCIC/RMA Financial Statements for Fiscal Years 2008 and 2007:</b> The objective of this audit is to present the auditors' opinion on the Risk Management Agency and Federal Crop Insurance Corporation principal financial statements for the fiscal years ended September 30, 2008, and 2007.	05401-17-FM	5/01/08
<b>RMA's Use of NASS County Average Yields for the Group Risk Protection Plans of Insurance:</b> The objectives of this audit are to assess whether the processes used by NASS to establish county average yields provide accurate and reliable information, and whether the data collected to establish average yields for various crops and utilized by the USDA provide a sound basis for administering the affected programs, establishing program benefits and reporting production of commodities.	05601-4-KC	4/14/08
<b>Pasture, Rangeland, and Forage Pilot Program:</b> The objectives of this audit are to determine whether RMA effectively implemented the PRF Pilot Program and the adequacy of RMA's controls in the PRF Pilot Program to minimize program losses and to ensure program integrity, including preventing producers from receiving improper indemnity payments for acres enrolled in FSA and NRCS programs.	50601-18-Te	3/24/08
<b>Crop Insurance Industry Financial Arrangements and Administrative and Operating Costs:</b> The objectives of this audit are to determine what are the financial arrangements between crop insurance companies and their sales agents; what are the financial arrangements between sales agents and producers; and what are agents' costs for selling crop insurance to producers, taking into consideration the different types and sizes of policies.	GAO Code 360903	11/16/07
<b>RMA's Implementation of the Approved Insurance Providers' Appendix IV/Quality Control Reviews:</b> The objective of this audit is to assess the effectiveness of RMA's oversight activities over the AIP's quality control reviews and of the AIPs implemented quality control review processes, as prescribed by the SRA, in preventing or detecting program abuse, waste, and improper payments.	05016-1-KC	10/17/07
<b>Hurricane Indemnity Program – Integrity and Reliability of Data Provided by RMA:</b> The objective of this audit is to evaluate the adequacy of RMA's management controls over changes in data provided to FSA for use in its HIP and FSA's controls to ensure proper payments and any collection of overpayments resulting from these changes.	50601-15-AT	6/18/07
<b>Group Risk Crop Insurance:</b> The objective of this audit is to evaluate the adequacy of the management controls over the group risk and group risk income protection plans to ensure that they are effectively administered and actuarially sound.	05601-14-TE	3/21/06
<b>RMA 2005 Emergency Hurricane Relief Efforts in Florida:</b> The objective of this audit is to evaluate the adequacy of RMA's management controls to ensure timely and proper processing and establishment of loss determinations and indemnity payments resulting from Hurricanes Katrina and Wilma in Florida.	05099-28-AT	3/05/06
<b>RMA Compliance Activities:</b> The objective of this audit is to determine if compliance activities are adequate to improve program compliance and integrity, and to detect and reduce fraud, waste, and abuse.	05601-11-AT	10/31/05

RISK MANAGEMENT AGENCY  
FEDERAL CROP INSURANCE CORPORATION FUND

Available Funds and Staff Years  
FY 2008 Actual and Estimated FY 2009 and FY 2010

Item	2008		2009		2010	
	Actual	Staff	Estimated	Staff	Estimated	Staff
	Amount	Years	Amount	Years	Amount	Years
<u>Administrative &amp; Operating (A&amp;O) Expenses</u>						
A&O Expense Appropriation.....	\$76,658,000	480	\$77,177,000	553	\$80,325,000	568
Rescission 1/.....	-\$536,606 1/	0	\$0	0	\$0	0
Transfer to WCF.....	-\$300,000	0	\$0	0	\$0	0
Unobligated Balance.....	-\$655,366	0	\$0	0	\$0	0
Total, A&O Expenses.....	\$75,166,028	480	\$77,177,000	553	\$80,325,000	568
<u>Federal Crop Insurance Corporation (FCIC) Fund</u>						
Premium Subsidy.....	\$3,846,559,000	0	\$5,495,237,000	0	\$5,201,255,000	0
Delivery Expenses.....	\$1,479,566,000	0	\$1,621,679,000	0	\$1,545,767,000	0
ARPA Costs.....	\$69,500,000	0	\$74,500,000	0	\$74,500,000	0
Transfer to CSREES.....	-\$5,000,000	0	-\$5,000,000	0	-\$5,000,000	0
Treasury Transfer for Excess Losses.....	\$368,377,000	0	-\$1,719,355,000	0	\$681,079,000	0
Application of Carryover.....	-\$1,618,911,000	0	-\$1,412,365,000	0	\$0	0
Total, FCIC Fund.....	\$4,145,091,000	0	\$4,059,696,000	0	\$7,502,601,000	0
Total, Risk Management Agency.....	\$4,220,257,028	480	\$4,136,873,000	553	\$7,582,926,000	568

1/ The amount in FY 2008 was rescinded pursuant to P.L. 110-161.

## RISK MANAGEMENT AGENCY

Permanent Positions by Grade and Staff Year Summary  
2008 Actual and Estimated 2009 and 2010

Grade	2008			2009			2010		
	Wash. DC	Field	Total	Wash. DC	Field	Total	Wash. DC	Field	Total
ES Grade	3	1	4	3	1	4	3	1	4
GS-16	0	0	0	0	2	2	0	2	2
GS-15	12	5	17	12	7	19	12	7	19
GS-14	8	36	44	12	36	48	12	36	48
GS-13	29	133	162	34	148	182	34	151	185
GS-12	10	126	136	10	154	164	10	166	176
GS-11	4	25	29	5	25	30	5	25	30
GS-10	1	0	1	1	0	1	1	0	1
GS-9	3	24	27	4	25	29	4	25	29
GS-8	3	6	9	4	6	10	4	6	10
GS-7	4	23	27	5	28	33	5	28	33
GS-6	3	11	14	4	18	22	4	18	22
GS-5	1	4	5	2	4	6	2	4	6
GS-4	2	3	5	0	3	3	0	3	3
Ungraded Positions.....	0	0	0	0	0	0	0	0	0
Total Permanent Positions.....	83	397	480	96	457	553	96	472	568
Unfilled Positions end-of-year.....	5	1	6	0	0	0	0	0	0
Total, Permanent Full-time Employment, end-of-year..	78	396	474	96	457	553	96	472	568
Staff Year Estimate.....	83	397	480	96	457	553	96	472	568

**Size, Composition, and Annual Cost**  
(in thousands of dollars)

Fiscal Year	Number of Vehicles by Type*							Total Number of Vehicles	Annual Operating Cost (\$ in thous) ***
	Sedans and Station Wagons	Light Trucks, SUVs and Vans		Medium Duty Vehicles	Ambulances	Buses	Heavy Duty Vehicles		
		4X2	4X4						
FY 2007	1	0	3	2	0	0	0	6	\$43
Change from 2007**	0	0	-1	0	0	0	0	-1	-5
FY 2008	1	0	2	2	0	0	0	5	\$38
Change from 2008	0	0	0	0	0	0	0	0	+1
FY 2009	1	0	2	2	0	0	0	5	\$39
Change from 2009	0	0	0	0	0	0	0	0	+1
FY 2010	1	0	2	2	0	0	0	5	\$40

## NOTES:

\* All of the vehicles listed are leased from the General Services Administration (GSA). These vehicles are assigned in the RMA field structure of 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 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 crop insurance issues. Since these vehicles are leased from GSA, RMA relies upon GSA to supply the Agency with alternative-fueled vehicles as required by law.

\*\* One 4X4 light truck retired at the end of 2007.

\*\*\* There are no identified impediments to managing the motor vehicle fleet in the most cost-effective manner.

RISK MANAGEMENT AGENCY

The estimates include appropriation language for this item as follows:

Administrative and Operating Expenses:

For necessary expenses of the Risk Management Agency, [\$77,177,000] \$80,325,000: *Provided*, That the funds made available under section 522(e) of the Federal Crop Insurance Act (7 U.S.C. 1522(e)) may be used for the Common Information Management System: *Provided further*, 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

LEAD-OFF TABULAR STATEMENT

ADMINISTRATIVE AND OPERATING EXPENSES

Appropriations Act, 2009.....	\$77,177,000
Budget Estimate, 2010.....	<u>80,325,000</u>
Increase in Appropriation.....	+ <u>3,148,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of appropriation)

Item of Change	2009	Pay Costs	Program Changes	2010
	Estimated			Estimated
Administrative and Operating Expenses, Available.....	\$77,177,000	\$1,348,000	\$1,800,000	\$80,325,000
Total Available.....	<u>77,177,000</u>	<u>1,348,000</u>	<u>1,800,000</u>	<u>80,325,000</u>

Project Statement  
(On basis of appropriation)

	2008		2009		Increase or Decrease	2010	
	Actual		Estimated			Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Administrative and Operating Expenses....	\$75,166,028	480	\$77,177,000	553	+ \$3,148,000	\$80,325,000	568
2. Unobligated Balance .....	655,366	0	0	0	0	0	0
Total Available or Estimate.....	<u>75,821,394</u>	<u>480</u>	<u>77,177,000</u>	<u>553</u>	<u>+ 3,148,000 (1)</u>	<u>80,325,000</u>	<u>568</u>
Rescission.....	536,606	---	0	---			
Transfer to WCF.....	300,000	---	0	---			
Total, Appropriation.....	<u>76,658,000</u>	<u>---</u>	<u>77,177,000</u>	<u>---</u>			

## RISK MANAGEMENT AGENCY

Justification of Increases and Decreases

- (1) An increase of \$3,148,000 for administrative and operating costs and activities directed at achieving the RMA mission, goal, and objectives (\$77,177,000 available in FY 2009).

- (A) An increase of \$1,348,000 for pay costs of 553 staff years.

Funding for a pay related increase is necessary to maintain appropriate staffing to carry out the RMA mission, and mandated requirements. This funding is a critical component of our ability to provide support for a significantly growing program, including the development of many large and complex new risk management tools.

Sufficient salary and benefit funding for the RMA workforce is needed to accomplish Agency strategies such as: promoting additional, improved, or consolidated products; enhancing product delivery; providing educational opportunities; and reducing program and administrative inefficiencies.

- (B) An increase of \$1,800,000 for critical program staffing.

Funding for 15 additional staff years is necessary to specifically focus on increased compliance and oversight activities. This funding supports a recently developed RMA human capital management strategy to position employees in critical program areas lacking adequate resources.

The RMA compliance function has evolved to address the Agricultural Risk Protection Act of 2000 (ARPA), increased program complexity, OIG recommendations, and advances in technology. This increase in staff will, for example, strengthen the front-end oversight of approved insurance providers by enhancing the regulatory structure. This need became apparent with the 2002 failure of the American Growers Insurance Company. Improving RMA's ability to monitor reinsured companies will enable the Agency to recommend corrective actions and reduce the likelihood of future failures.

In response to several OIG audit reports, this increase will allow RMA to reinforce the systemic process of auditing insurance providers to detect and correct program vulnerabilities to preclude the payment of incorrect indemnities. The reviews will also permit RMA to determine those insurance providers that require additional oversight and ensure that taxpayer funds are properly expended.

RISK MANAGEMENT AGENCY  
ADMINISTRATIVE AND OPERATING EXPENSES

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS  
2008 Actual and Estimated 2009 and 2010

	2008		2009		2010	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California.....	\$2,754,801	28	2,828,506	32	2,943,909	34
District of Columbia.....	19,550,301	83	20,073,274	96	20,891,442	96
Georgia.....	1,512,926	16	1,553,404	18	1,616,783	18
Illinois.....	1,615,591	18	1,658,816	21	1,726,496	21
Indiana.....	1,072,752	12	1,101,453	14	1,146,393	16
Kansas.....	1,535,737	17	1,576,826	20	1,641,160	20
Minnesota.....	3,192,409	32	3,277,822	37	3,411,557	39
Mississippi.....	1,417,871	15	1,455,806	17	1,515,203	17
Missouri.....	33,454,156	164	34,349,222	189	35,750,670	194
Montana.....	1,401,614	14	1,439,114	16	1,497,830	18
North Carolina.....	3,063,149	33	3,145,104	38	3,273,424	38
Oklahoma.....	1,527,503	17	1,568,371	20	1,632,361	20
Texas.....	1,390,502	14	1,427,705	16	1,485,955	18
Washington.....	1,676,716	17	1,721,577	20	1,791,817	20
Subtotal, Available or Estimate.	75,166,028	480	77,177,000	553	80,325,000	568
Unobligated balance.....	655,366	0	0	0	0	0
Total, Available or Estimate.....	75,821,394	480	77,177,000	553	80,325,000	568

RISK MANAGEMENT AGENCY  
Classification by Objects  
2008 Actual and Estimated 2009 and 2010

ADMINISTRATIVE & OPERATING EXPENSES:		<u>2008</u>	<u>2009</u>	<u>2010</u>
Personnel Compensation:				
	Washington, D.C. ....	\$8,200,640	\$8,729,000	\$8,991,000
	Field.....	32,802,561	33,787,000	34,801,000
11	Total Personnel Compensation.....	41,003,201	42,516,000	43,792,000
12	Personnel Benefits.....	10,112,629	10,416,000	10,418,000
13	Benefits for Former Personnel.....	0	0	0
	Total Pers. Comp. and Benefits.....	51,115,830	52,932,000	54,210,000
Other Objects:				
21	Travel and transportation of persons.....	1,796,494	1,800,000	1,818,000
22	Transportation of things.....	136,420	137,000	139,000
23.2	Rental payments to others.....	294,747	500,000	505,000
23.3	Communications, utilities, misc. charges.....	1,280,862	1,293,000	1,306,000
24	Printing and reproduction.....	108,509	126,000	127,000
25	Other services.....	15,140,659	15,106,000	16,884,000
25.1	Advisory and assistance services.....	1,223,135	1,235,000	1,247,000
25.3	Operation and maintenance of facilities.....	182,576	184,000	186,000
25.5	Agreements.....	2,778,078	2,806,000	2,834,000
25.7	Operation and maintenance of equipment	93,297	94,000	95,000
26	Supplies and materials.....	234,532	236,000	239,000
31	Equipment.....	720,823	728,000	735,000
42	Litigation fees/settlement-EEO.....	59,875	0	0
43	Interest.....	191	0	0
	Total other objects.....	24,050,198	24,245,000	26,115,000
	Total direct A&O obligations.....	75,166,028	77,177,000	80,325,000
<u>Position Data:</u>				
	Average Salary, ES Positions.....	\$158,668	\$161,048	\$163,464
	Average Salary, GS Positions.....	\$79,372	\$80,563	\$81,771
	Average Grade, GS Positions.....	12.6	12.6	12.6
FCIC FUND:				
25	Delivery Expenses.....	1,994,614,689	1,621,679,000	1,545,767,000
	ARPA costs.....	47,790,775	73,500,000	73,500,000
	Underwriting Gains/Losses	1,577,759,614	967,415,000	914,732,000
42	Indemnities.....	4,377,350,157	6,892,983,000	8,837,530,000
	Total direct FCIC Fund obligations.....	7,997,515,235	9,555,577,000	11,371,529,000
	TOTAL DIRECT OBLIGATIONS.....	8,072,681,263	9,632,754,000	11,451,854,000

RISK MANAGEMENT AGENCY

The estimates include appropriation language for this item as follows:

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

Lead-Off Tabular StatementFEDERAL CROP INSURANCE CORPORATION FUND - CURRENT LAW

Estimate, 2009.....	\$4,059,696,000
Budget Estimate, 2010.....	<u>\$7,502,601,000</u>
Increase in Appropriation.....	+ <u>\$3,442,905,000</u>

FEDERAL CROP INSURANCE CORPORATION FUND - PROPOSED LEGISLATION

Budget Estimate, Current Law, 2010.....	\$7,502,601,000
Change due to Proposed Legislation.....	\$0 (1)
Net Request, President's 2010 Budget Request.....	+ <u>\$7,502,601,000</u>

RISK MANAGEMENT AGENCY  
FEDERAL CROP INSURANCE CORPORATION FUNDSUMMARY OF INCREASES AND DECREASES - CURRENT LAW

(On basis of appropriation)

<u>Item of Change</u>	<u>2009 Estimated</u>	<u>Pay Costs</u>	<u>Program Changes</u>	<u>2010 Estimated</u>
Premium Subsidy.....	\$5,495,237,000	0	-\$293,982,000	\$5,201,255,000
Delivery Expenses.....	\$1,621,679,000	0	-\$75,912,000	\$1,545,767,000
Agricultural Risk Protection Act of 2000 Initiatives:.....	\$74,500,000	0	\$0	\$74,500,000
Treasury Transfer for Excess Losses.....	-\$1,719,355,000	0	\$2,400,434,000	\$681,079,000
Adjustment to Reduce Excess Capital at End of Year.....	<u>-\$1,412,365,000</u>	<u>0</u>	<u>\$1,412,365,000</u>	<u>\$0</u>
Total Available.....	<u>\$4,059,696,000</u>	<u>0</u>	<u>\$3,442,905,000</u>	<u>\$7,502,601,000</u>

(1) Although savings will not be realized in FY 2010, by implementing these proposals, RMA estimates net cost savings commencing in FY 2011 in the amount of \$429.0 million; \$427.4 million in FY 2012; \$594.6 million in FY 2013; \$599.3 million in FY 2014; and \$610.5 million in FY 2015.

RISK MANAGEMENT AGENCY  
FEDERAL CROP INSURANCE CORPORATION FUND

Project Statement - Current Law  
(On basis of appropriation)

	2008 Actual	2009 Estimated	Increase or Decrease	2010 Estimated
Premium Subsidy.....	\$3,846,559,000	\$5,495,237,000	-\$293,982,000	\$5,201,255,000
Delivery Expenses.....	\$1,479,566,000	\$1,621,679,000	-\$75,912,000	\$1,545,767,000
Agricultural Risk Protection Act of 2000 Initiatives:	\$69,500,000	\$74,500,000	\$0	\$74,500,000
Treasury Transfer for Excess Losses.....	\$368,377,000	-\$1,719,355,000	\$2,400,434,000	\$681,079,000
Application of Carryover.....	-\$1,618,911,000	-\$1,412,365,000	\$1,412,365,000	\$0
<b>Total Available or Estimate.....</b>	<b>\$4,145,091,000</b>	<b>\$4,059,696,000</b>	<b>\$3,442,905,000</b>	<b>\$7,502,601,000</b>
<b>Total, Appropriation.....</b>	<b>\$4,145,091,000</b>	<b>\$4,059,696,000</b>	<b>\$3,442,905,000</b>	<b>\$7,502,601,000</b>

Project Statement - Current Law  
(On basis of available funds)

	2008 Actual	2009 Estimated	Increase or Decrease	2010 Estimated
<b>1. Expenses:</b>				
(a) Indemnities.....	\$4,377,350,157	\$6,892,983,000	\$1,944,547,000	\$8,837,530,000
(b) Delivery Expenses.....	\$1,994,614,689	\$1,621,679,000	-\$75,912,000	\$1,545,767,000
(c) Agricultural Risk Protection Act of 2000 Initiatives:	\$47,790,775	\$74,500,000	\$0	\$74,500,000
Subtotal, Expenses.....	\$6,419,755,621	\$8,589,162,000	\$1,868,635,000	\$10,457,797,000
(d) Undervriting Gains/Losses.....	\$1,577,759,614	\$967,415,000	-\$52,683,000	\$914,732,000
<b>Total, Expenses.....</b>	<b>\$7,997,515,235</b>	<b>\$9,556,577,000</b>	<b>\$1,815,952,000</b>	<b>\$11,372,529,000</b>
<b>2. Funds Available from Revenue and prior year balances</b>				
(a) Producer Premium.....	-\$3,596,946,120	-\$4,018,436,000	\$233,261,000	-\$3,785,175,000
(b) Administrative Fees.....	-\$48,931,789	-\$66,080,000	-\$18,673,000	-\$84,753,000
(c) Unobligated Balance Brought Forward from Prior Year.....	-\$2,258,911,147	-\$2,052,365,000	\$1,412,365,000	-\$640,000,000
(d) Unobligated Balance Carried Forward to Next Year.....	\$2,052,364,820	\$640,000,000	\$0	\$640,000,000
<b>Total, Funds from Revenue and Balances.....</b>	<b>-\$3,852,424,236</b>	<b>-\$5,496,881,000</b>	<b>\$1,626,953,000</b>	<b>-\$3,869,928,000</b>
<b>3. Total, Available Funds.....</b>	<b>\$4,145,091,000</b>	<b>\$4,059,696,000</b>	<b>\$3,442,905,000 (1)</b>	<b>\$7,502,601,000</b>

Federal Crop Insurance Corporation

(1) A budget increase of \$3,442,905,000 is estimated for the Federal Crop Insurance Corporation (FCIC) Fund. (\$4,058,696,000 available in 2009)

(a) An decrease of \$293,982,000 is projected for premium subsidy.

Premium subsidy is based, primarily, on the result of participation changes. Program indicators suggest a modest decrease in 2010 due to a slight projected reduction in participation and price stabilization. Each year, approximately 1.3 million crop insurance policies are sold. The Federal government subsidizes premium on those policies. Over the past few years, the crop insurance program has seen a significant shift in business due to increased subsidy levels. The requested \$5.2 billion in premium subsidy is necessary to effectively provide producers higher levels of protection at more affordable prices.

(b) A decrease of \$75,912,000 is projected for delivery expenses.

A funding decrease for delivery expenses, the amount of administrative and operating expense reimbursements provided to approved insurance providers, is projected because of a decrease in estimated premium levels. These funds are for delivering risk management services and/or products, and are based on a percentage of estimated total premiums for each crop year. Recently enacted changes to the Food, Conservation, and Energy Act of 2008 (Farm Bill) capped the reimbursement rate at 22.2%.

For FY 2010, estimated total premium is projected at \$9.0 billion. As a result, RMA anticipates delivery expenses of \$1.55 billion. These funds will assure effective delivery of risk management products to the agricultural community through reinsured companies, a process to which the Department is committed.

(c) An increase of \$2,400,434,000 for excess losses.

The total amount requested, \$681.1 million, will fund the difference between expected fiscal year (FY) losses and total FY premium. Although the estimates are based on a 1.0 loss ratio for the crop year, the conversion to FY data creates an additional need in FY 2010. Approximately 65 percent of crop year 2009 losses will be paid in FY 2010. In addition, these funds will cover any underwriting gain due reinsured companies, less the amount of administrative fees collected from the producer. Without these funds, farmers experiencing crop/livestock losses would not receive full benefit for the projected \$8.8 billion in indemnities to protect them from unavoidable causes such as weather, reduced prices, or reduced yields.

(d) An increase of \$1,412,365,000 to account for changes in carryover balances.

Carryover from FY 2008 to FY 2009 was \$2.05 billion. RMA applied \$1.4 billion of that in lieu of appropriations in FY 2009, maintaining their annual reserve of \$640 million. There is not expected to be any carryover balances other than the \$640 million reserve in 2010. Therefore, the difference is an increase of \$1.4 billion in application of carryover balances.

RISK MANAGEMENT AGENCY  
Federal Crop Insurance Corporation Fund

Summary of Increases and Decreases - Proposed Legislation

(On basis of appropriation)

<u>Item of Change</u>	2010		
	<u>Current Law</u>	<u>Program Changes</u>	<u>Agency Request</u>
Premium Subsidy.....	\$5,201,255,000	-	\$5,201,255,000
Delivery Expenses.....	\$1,545,767,000	-	\$1,545,767,000
Agricultural Risk Protection Act of 2000 Initiatives.....	\$74,500,000	-	\$74,500,000
Treasury Transfer for Excess Losses.....	\$681,079,000	-	\$681,079,000
Total Available or Estimate.....	<u>\$7,502,601,000</u>	<u>-</u>	<u>\$7,502,601,000</u>

EXPLANATION OF PROPOSED LEGISLATION:

In an effort to reduce the costs of the Federal Crop Insurance program, the Risk Management Agency (RMA) is proposing several legislative changes. These proposals include decreasing premium subsidies by 5 percentage points, increasing the Government net book quota share to 20 percent from the current level of 5 percent, decreasing the premium rates on Catastrophic (CAT) coverage by 25 percent, and increasing the administrative fee on CAT to equal to the greater of \$300 or 25 percent of the restated CAT premium, subject to a maximum fee of \$5,000 per crop per county. Although, savings will not be realized in FY 2010, by implementing these proposals, RMA estimates net savings beginning in FY 2011 in the amount of \$429.0 million; \$427.4 million in FY 2012; \$594.6 million in FY 2013; \$599.3 million in FY 2014; and \$610.5 million in FY 2015.

RISK MANAGEMENT AGENCY  
FEDERAL CROP INSURANCE CORPORATION FUND

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2008 Actual and Estimated 2009 and 2010

	2008	2009	2010
	Amount	Amount	Amount
Alabama.....	\$96,996,680	\$152,740,000	\$195,828,763
Alaska.....	0	0	0
Arizona.....	5,299,819	8,345,588	10,699,922
Arkansas.....	35,198,795	55,427,299	71,063,634
California.....	109,996,235	173,210,310	222,073,855
Colorado.....	76,397,385	120,302,433	154,240,387
Connecticut.....	4,999,829	7,873,196	10,094,266
Delaware.....	30,898,942	48,656,351	62,382,565
Florida.....	40,298,621	63,457,959	81,359,785
Georgia.....	87,597,001	137,938,392	176,851,543
Hawaii.....	99,997	157,464	201,885
Idaho.....	36,398,754	57,316,866	73,486,257
Illinois.....	165,894,321	261,232,640	334,927,750
Indiana.....	115,496,046	181,870,825	233,177,548
Iowa.....	213,392,655	336,028,001	430,823,279
Kansas.....	445,284,757	701,186,826	898,995,342
Kentucky.....	77,997,330	122,821,856	157,470,552
Louisiana.....	24,899,148	39,208,516	50,269,445
Maine.....	4,599,843	7,243,340	9,286,725
Maryland.....	64,097,806	100,934,371	129,408,492
Massachusetts.....	3,399,884	5,353,773	6,864,101
Michigan.....	125,395,708	197,459,753	253,164,195
Minnesota.....	408,886,003	643,869,960	825,509,084
Mississippi.....	36,698,744	57,789,258	74,091,913
Missouri.....	64,297,799	101,249,299	129,812,262
Montana.....	105,196,399	165,652,041	212,383,359
Nebraska.....	191,593,441	301,700,866	386,812,278
Nevada.....	99,997	157,464	201,885
New Hampshire.....	699,976	1,102,247	1,413,197
New Jersey.....	3,599,877	5,668,701	7,267,872
New Mexico.....	4,999,829	7,873,196	10,094,266
New York.....	25,599,124	40,310,763	51,682,643
North Carolina.....	244,791,620	385,471,671	494,215,270
North Dakota.....	377,287,085	594,111,362	761,713,322
Ohio.....	92,396,837	145,496,660	186,542,038
Oklahoma.....	172,594,092	271,782,722	348,454,067
Oregon.....	25,099,141	39,523,443	50,673,216
Pennsylvania.....	47,798,364	75,267,753	96,501,184
Rhode Island.....	0	0	0
South Carolina.....	58,597,994	92,273,856	118,304,799
South Dakota.....	285,190,238	449,087,093	575,776,940
Tennessee.....	86,797,029	136,678,681	175,236,460
Texas.....	149,594,879	235,566,021	302,020,443
Utah.....	1,299,956	2,047,031	2,624,509
Vermont.....	3,199,890	5,038,845	6,460,330
Virginia.....	83,397,145	131,324,907	168,372,359
Washington.....	34,598,816	54,482,516	69,852,322
West Virginia.....	3,699,873	5,826,165	7,469,757
Wisconsin.....	87,996,938	138,568,248	177,659,084
Wyoming.....	16,699,428	26,296,474	33,714,849
Puerto Rico.....	0	0	0
Subtotal, Indemnities a/.....	4,377,350,157	6,892,983,000	8,837,530,000
Undistributed b/.....	3,620,165,078	2,663,594,000	2,534,999,000
Total, Available or Estimate.....	7,997,515,235	9,556,577,000	11,372,529,000

a/ Due to the inability to predict the location of losses, it is impossible to accurately estimate a State cost distribution. These estimates are based on previous distribution.

b/ Undistributed includes, Delivery Expenses, ARPA costs, Interest, Underwriting Gains/(Losses) and other expenses that cannot be distributed by states.

RISK MANAGEMENT AGENCY  
ADMINISTRATIVE AND OPERATING EXPENSES

STATUS OF PROGRAM

**Current Activities:** The Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) is composed of ten members, including agricultural producers, insurance and reinsurance experts, and senior USDA officials. This Board, either directly or through delegations to the Manager of the FCIC and Risk Management Agency (RMA), manages FCIC and the Federal Crop Insurance Fund. The Board receives, reviews, and approves policies and plans of insurance and other related materials for reinsurance, risk subsidy, and administrative and operating subsidy. The Board is authorized to reimburse outside entities for research, development, and maintenance costs. This is to provide an incentive for the development of new and innovative risk management products, to directly contract for the research and development of such products, and to fund crop insurance education programs. During FY 2008, the FCIC Board considered 33 action items during six board meetings. The action items included ten expert reviews, eight program revisions and modifications, four new program submissions, and 11 corporate administrative items.

Office of the Administrator (OA) – Headquarters includes all management and administrative support functions of the RMA. This includes coordinating FCIC Board Meetings, providing coordination of administrative support services to all locations of RMA through human resources, training, procurement, and other services. OA is responsible for developing agency strategic plans, performance plans and reports as required by the Government Performance and Results Act; planning, coordinating, testing, and implementing emergency programs including contingency operations, pandemic influenza plans, and coordinating and responding to homeland security efforts; managing and implementing Homeland Security Presidential Directive 12 “Policy for a Common Identification Standard for Federal Employees and Contractors”; formulating, recommending and administering RMA policies and procedures concerning acquisition activities including contracting and developing Information Resource Management plans and policies as required by the Information Technology Management Reform Act of 1996 (ITMRA) and other legislation.

OA directs the establishment of RMA plans and policies relative to obtaining public participation in the rule-making process, with coordination of regulatory review requirements. Coordinating and publishing regulations; serving public requests for information under the provisions of the Freedom of Information Act and protecting personal identifiable information in accordance with the Privacy Act; implementing required Commercial Services Management programs and projects; formulating RMA public information policies and programs within the framework of USDA’s public affairs policy; directing public information activities through news releases, audiovisual products, articles, and speeches; answering correspondence; and producing public information on RMA activities and initiatives. OA provides policy-making recommendations that impact the often conflicting needs of agricultural producers, the crop insurance industry, insurance agents, and the FCIC. OA advises the Congress regarding Administration policy positions and matters relating to constituent service issues; and serves as the focal point for all financial management activities with overall responsibility for planning, organizing, and directing RMA fiscal functions including budget, accounting, financial reporting and other related functions. OA formulates, recommends, administers and evaluates the Civil Rights and Equal Employment Opportunity programs of RMA. There are currently four staff offices under the Office of the Administrator: Program Support, External Affairs, Civil Rights and Community Outreach, and Financial Management.

Product Management’s (PM’s) primary function is to operate the crop insurance program. Key functions include policy administration, establishment of underwriting and loss adjustment criteria, calculation, and maintenance of premium rates, and determination of price election. In addition, PM enters into contracts for research, development, pilot testing, and evaluation of new crop insurance programs. PM also contracts

for plans of insurance and risk management strategies, especially for specialty crops and underserved commodities in underserved states and areas. PM continues to maintain and participate in multi-year partnerships for developing non-insurance risk management tools to help growers mitigate various risks inherent to farming and raising livestock; evaluates and makes recommendations for improvement of existing risk management programs; and coordinates support for specialty crop programs. PM issued 12 contracts furthering program goals for expansion of new crop insurance programs and risk management strategies and continued to improve existing programs. Examples include ongoing development of a number of existing program research, development, and evaluation projects to expand and improve the risk management opportunities for American producers. These partnership projects are located on RMA's website at <http://www.rma.usda.gov>. In addition, the PM function includes accounting for RMA's program operation, financial analysis, and operations reviews of the insurance delivery system. PM is responsible for developing federal regulations and establishing the crop insurance policies, premium rates, coverage provisions, transitional yield factors, and other appropriate insurance data for approximately 52,750 county-crop programs nationwide. PM establishes reporting and validating business and implementation requirements for automated systems that receive and validate crop insurance sales, loss and acreage data from reinsured companies and other sources. PM uses the data for analysis, determination of rates, calculation, and payment of expense reimbursements and underwriting payments to reinsured companies, payment of claims, summaries of business and various other purposes. PM coordinates RMA's review of products submitted under Section 508(h) of the Federal Crop Insurance Act and assures RMA's compliance with the Paperwork Reduction Act of 1995.

Insurance Services Division (ISD) oversees program delivery through reinsurance, underwriting and loss adjustment activities, and risk management education. Within ISD, Reinsurance Services Division (RSD) develops and administers reinsurance agreements with private insurance providers. Risk Management Services Division (RMSD) and ten Regional Offices (ROs) coordinate underwriting and loss adjustment activities, including appeals, and provide substantial contributions to program development, outreach, and education. Risk Management Education (RME) administers risk management education activities, primarily competitively selected partnership agreements. ISD also manages the internal control reviews of Insurance Services' Regional Office business processes.

RSD oversees the administration of the Standard Reinsurance Agreement (SRA), the contract between the private insurance providers and RMA. RMA approves insurance providers on an annual basis by reviewing their financial capacity and annual plans of operation. RSD works closely with product analysis and accounting division (PAAD) in conducting financial, accounting, or other reviews. In addition, RSD actively works with the National Association of Insurance Commissioners (NAIC) and other regulatory entities to maintain the soundness of the Federal crop insurance program.

RMSD provides guidance directly and through ROs on emerging issues involving claims and underwriting and along with the ROs represents RMA on program issues relating to underwriting and claims, including National Appeals Division and Mediation cases. RMSD coordinates requests for Final Agency Determinations under 7 CFR Part 400 Subpart X, and is responsible for guidance to the ROs in managing requests for good farming practice determinations and participation in reviews of large claims equal to or exceeding \$500,000. RMSD provides National insured crop program damage assessments and coordinates development of disaster report data received from regional offices. RMSD coordinates RO recommendations for crop expansion of regulatory programs and Special Provisions of Insurance Statements and program changes if indicated. RMSD also supports the internal control reviews of Insurance Services' Regional Office business processes. RMSD conducts administrative reviews of RO large claim determinations and reconsideration of RO good farming practice determinations.

The ROs also provide field-underwriting services and support PM by reviewing rates and providing assistance with contracting, implementing, and assessing new products and programs. The ROs provide program information to producers, farm organizations, insurance providers, elected officials, and other interested parties. RMSD complements field activities by ensuring consistent application of actuarially sound insurance principles

in field-level underwriting tasks and monitoring a uniform system of loss adjustment on a national basis.

RME staff works with public and private partners to train farmers and ranchers in using risk management tools and strategies. RME supports ISD's mission of delivering Federal crop insurance, through providing farmers with information and educational opportunities to learn more about risk, the tools available to manage risk, and the process of making sound risk management decisions.

During fiscal year 2007, ISD designed and began implementation of a system of standard operating procedures in full compliance with OMB directives A-123 regarding managerial controls and A-11 regarding performance planning and reporting. This process includes clarifying roles and responsibilities across the divisions, as well as reviewing written procedures specifically for managerial controls sufficiency. As a result of these improvements to management capacity, ISD can more accurately and efficiently identify priority resource needs and uses and respond to rapidly changing workload demands. ISD managers have improved capacity to balance the program development challenges dictated by the Strategic Plan with program delivery challenges which are dictated by same vagaries of nature that drive the need for agricultural risk management services.

The Civil Rights and Community Outreach (CR&CO) office also works with public and private partners to train farmers and ranchers. The CR&CO staff formulates, recommends, administers, evaluates and implements the Civil Rights and Equal Employment Opportunity (EEO) and Community Outreach partnership programs of RMA. CR&CO advises the Administrator and other management officials on the development and implementation of plans, policies, and procedures and develops and administers civil rights impact analyses to ensure programs are implemented in a nondiscriminatory manner. Major initiatives the staff is responsible for are (1) providing civil rights training to all employees, reinsured companies, outreach and risk management education partners; (2) developing and implementing USDA/RMA's policies and procedures to address program and employment complaints in a timely and more cost effective manner; (3) monitoring and providing substantial involvement for partnership agreements with universities, community based organizations, Hispanic Serving Institution (HSIs), Federal and State organizations; and (4) developing and implementing a civil rights compliance program for program delivery.

Compliance is responsible for ensuring that funds expended by RMA for operation and delivery of risk management programs are spent in accordance with laws, rules, regulations, policies, procedures, and instructions to achieve the intended purpose. Compliance performs this mission by conducting reviews of RMA programs and activities; maintaining liaison with external audit and investigative agencies; and reviewing the activities of reinsured companies and others involved in the delivery of RMA programs. Compliance also performs special request reviews based on Office of Inspector General Hotline complaints, external audits and investigations, complaints and other sources to gather evidence to support allegations of non-compliance with laws, regulations, or agreements. Compliance works closely with the Farm Service Agency (FSA) field offices in the detection and monitoring of suspected waste, fraud, and abuse by using data mining to target anomalous insurance payments to producers.

#### **Emergency Preparedness**

Program Support represents the Agency and participates in USDA Homeland Security Office's Emergency Coordination Group. Program Support personnel coordinate daily and spot reports concerning RMA facilities/personnel status to the USDA Operations center during floods, hurricane landfall and other emergency and heightened threat conditions. Program Support continued to represent the Agency on the Food and Agriculture Sector council required under Homeland Security Presidential Directive-7 and the National Infrastructure Protection Plan, and participated in the Food and Ag sector annual update. HSPD-12 Policy for a Common Identification Standard for Federal Employees and Contractors implementation was a major initiative that began in during FY2008 and continues for FY2009. Preparations were made in

coordination with the Department HSPD-12 team, to prepare for sponsoring non-employees (contract and grant personnel) for LincPass, and to carry out procedures for activating LincPass at locations where there are no permanent credentialing centers. Two-Factor Authentication (Logical Access Control) for RMA laptops which began last year continues. One major effort will be to get non-employees through the LincPass process by the end of FY2009. Also during FY2009 we will complete integration of logical access control systems and begin development of physical access control systems using LincPass.

#### **Strategic Planning**

RMA's strategic plan is scheduled for revision in FY2009 to align with the anticipated update of the USDA Strategic Plan. This will be a major effort involving all levels of the organization.

#### **Sanctions Rule**

A final rule to amend the Administrative Remedies for Non-Compliance regulations will become effective January 20, 2009. This rule will add additional administrative remedies and clarify existing administrative remedies to strengthen FCIC's ability to combat fraud, waste and abuse by establishing a strong system of administrative actions that are now applicable to participants in the Federal crop insurance program.

#### **Pilot Programs**

FCIC plans to publish proposed rules to convert the Avocado (Florida), Forage Seed, and Processing Chili Pepper pilot programs to permanent programs in 2009. We will also be finalizing the proposed rule for the Cabbage program.

#### **Commercial Services Management Program**

RMA is moving forward with a Business Process Reengineering Study for designated IT functions. The Green Plan kicks off in January 2009 and is planned for three years.

#### **Freedom of Information Act Program**

The RMA FOIA Office continues to respond to producers and public requests concerning the crop insurance program. Program initiatives and FCIC Board approved products generate requests that impact the confidentiality and commercial interests of submitters of information. The FOIA Office processes requests with minimum backlogs.

#### **Selected Examples of Recent Progress:**

##### **2008 Farm Bill Implementation:**

**Common Crop Insurance Policy and Group Risk Protection Basic Provisions:** FCIC published an interim rule to implement program changes mandated by the Food, Conservation and Energy Act of 2008 (2008 Farm Bill). Changes include: a new organic crop definition, enterprise and whole farm unit changes, crop production on native sod, and settlement of claims on farm-stored production. The interim rule is in effect for 2009 spring crops.

**Concept Proposals:** The 2008 Farm Bill mandated that FCIC write procedures to provide an advance payment of up to 50 percent of reasonable research and development costs prior to submission and approval of a policy by the Board under section 508(h). The procedure establishes guidelines and responsibilities of the FCIC and the applicant for the submission of a concept proposal to the Board for approval for advance payment of estimated research and development costs as authorized under section 522(b) of the Act.

**Common Crop Insurance Regulations, Basic Provisions; and Various Crop Insurance Provisions**

**(Combo)** – FCIC published a Proposed Rule in the Federal Register to amend the Common Crop Insurance Regulations, Basic Provisions, Small Grains Crop Insurance Provisions, Cotton Crop Insurance Provisions, Coarse Grains Crop Insurance Provisions, Malting Barley Crop Insurance Provisions, Rice Crop Insurance Provisions, and Canola and Rapeseed Crop Insurance Provisions to provide both revenue protection and yield protection. FCIC also proposed to amend the Common Crop Insurance Regulations, Basic Provisions to incorporate changes resulting from input and recommendations by the prevented planting work group. While publication of the final rule has been on hold pending resolution of issues within the RMA's automated systems and program changes required by the 2008 Farm Bill, RMA plans to move forward with the final rule now that funding has been provided for the Information Technology Modernization with planned implementation for the 2011 crop year. The amended provisions will replace the Crop Revenue Coverage (CRC), Income Protection (IP), Indexed Income Protection (IIP), and the Revenue Assurance (RA) plans of insurance.

The intended effect of this action is to offer producers a choice of revenue protection (protection against loss of revenue caused by low prices, low yields, or a combination of both) or yield protection (protection for production losses only) within one Basic Provisions and the applicable Crop Provisions. This is to reduce the amount of information producers must read to determine the best risk management tool for their operation and to improve the prevented planting and other provisions to better meet the needs of insured producers. This combined policy is expected to cover nearly \$76 billion of the nearly \$90 billion of FCIC's total liability and 94 percent (approximately one million policies) of all policies earning premium. The changes are targeted to apply for the 2011 and succeeding crop years for all crops with a contract change date on or after the effective date of the Final Rule.

**Pasture, Rangeland, and Forage Pilot Programs** – The Risk Management Agency (RMA) now offers two new pilot Group Risk Protection risk management programs for pasture, rangeland, and forage (PRF). These innovative pilot programs are based on vegetation greenness and rainfall indices and were developed to provide livestock producers the ability to purchase insurance protection for losses of forage produced for grazing or harvested for hay. These programs were developed to become a risk management tool for the 588 million acres of U.S. pastureland and the 61.5 million acres of hayland. For the 2008 crop year, the pilot programs were available for testing in selected States with 6,646 policies sold covering more than 29.3 million acres.

**Group Risk Income Protection (GRIP)** - GRIP makes indemnity payments only when the average county revenue for the insured crop falls below the revenue chosen by the farmer. GRIP offers producers a guarantee against decline in county revenue, which is based on the applicable Board of Trade futures prices for corn, grain sorghum, soybeans, and wheat; the New York Cotton Exchange futures prices for cotton; and National Agricultural Statistics Service (NASS) county yields as adjusted by the FCIC. The GRIP policy provides coverage on an enterprise unit basis. The amount of any loss will be finalized when the final county yields and harvest price are known in the spring following the crop year. The GRIP policy contains no replant, late, or prevented planting provisions. In an effort to combine redundant policies, the GRP, GRIP, and GRIP-HRO (Harvest Revenue Option) policies are proposed to be combined into a simplified policy for the 2011 crop year.

**Livestock Risk Protection (LRP)** – LRP is a privately owned and maintained 508(h) product approved by the Board in November 2002. LRP insures against a decline in price for cattle, swine and lamb. Coverage prices for LRP are determined using contract prices on the Chicago Mercantile Exchange. LRP was originally approved for swine in all Iowa counties and has subsequently expanded to insure swine, feeder cattle, fed cattle and lamb. LRP sales for the 2008 reinsurance year totaled 1,093 policies sold with 847,002 head of livestock insured at \$184.6 million in liability and \$4.9 million in total premium.

**Livestock Gross Margin (LGM)** - LGM is a privately owned and maintained 508(h) product approved by the Board in November 2002. LGM is a gross margin index, designed to protect profit margins for swine, cattle and dairy cattle producers, and is based on futures contracts at the Chicago Mercantile Exchange and the Chicago Board of Trade. For the 2008 reinsurance year, LGM-Swine has provided coverage for 430,764 head of slaughter hogs for a liability of \$53.2 million with a premium of \$2.5 million. For the 2008 reinsurance year, LGM-Cattle has provided coverage for 5,517 head of livestock cattle for a liability of \$6.7 million with a premium of \$144,343. LGM-Dairy was available for sale to producers in the 2009 reinsurance year.

**Group Risk Plan for Oysters (GRP-Oysters)** - GRP-Oysters is a privately submitted 508(h) product approved by the Board in November 2008. GRP-Oysters insures pounds of oyster meat landed in Louisiana. This is a group risk plan, similar to other group plans. The GRP-Oyster product guarantees production coming from privately leased water basins that are assigned to counties for insurance purposes. When the payment yield falls below the trigger yield, an indemnity is due. The submitter and RMA are working to finalize policy and rating materials, and computer system requirements.

#### **Office of Insurance Services**

For crop year 2007, still in progress, the ROs reviewed rates, practices, and filing documents for 52,787 county crop programs in more than 3,066 counties in all 50 states and Puerto Rico. The ROs reviewed 690 added land requests, 2,514 determined yields, and 14,150 written agreement requests to respond to a variety of individual producers' crop insurance needs. In addition, the ROs increased the availability of risk management programs, researched and recommended expansion of crop insurance programs in 66 counties for the 2008 crop year. Improvement of current policies through RO increased oversight of the delivery channel was accomplished through routine reviews of company, product, program, 285 large claims notices, participating in 62 large claims determinations, and issued 75 good farming practices determinations. The ROs also provided technical support to reinsured company personnel in all program areas, provided update meetings to reinsured companies, and attended meetings as representatives of the Federal crop insurance program.

#### **RMA/National Association of Insurance Commissioners (NAIC) Collaborative Regulatory Efforts**

**Loss Adjuster Licensing:** On September 30, 2007, RMA provided the Crop Insurance Working Group of the NAIC with an update on crop insurance and, together with National Crop Insurance Services (NCIS), gave a presentation on the problems the crop insurance program faces with inconsistent State requirements for loss adjuster licensing. A conference call with RMA, NAIC Working Group Members, NCIS representatives, and industry representatives was conducted on September 27 to consider options for state loss adjuster licensing uniformity. RMA is finalizing an informational memorandum that will notify the industry of the financial penalties it will assess companies that violate the Standard Reinsurance Agreement (SRA) requirement that all loss adjusters must be licensed by the State if the State requires licensing.

**Federal/State Rebating Enforcement Initiative:** RMA and insurance commissioners from a number of key States are planning to issue a letter to approved insurance providers (AIPs) announcing a collaboration in the enforcement of State and Federal anti-rebating statutes. AIPs will be directed to ensure that agents and loss adjusters are fully aware of the rebating prohibitions and stepped-up enforcement initiative prior to spring sales in March 2008.

**RMA Conflict of Interest Disclosure Guidance:** On September 20, 2007, RMA's Reinsurance Services Division circulated the latest draft of the Conflict of Interest Disclosure Guidance to the industry for comment. The companies have submitted their comments back to RMA which are currently under review.

**Disaster Estimation and Reporting System (DERS):** The purpose of DERS is to provide timely and accurate indemnity estimates, reports, and maps prior, during, and after crop disasters. The current system is designed for hurricanes. In FY 2007, RMA used the system in an ad hoc manner to generate reports on the following disasters: California and Arizona Crop Freeze, January 2007; Alabama, Georgia, Mississippi, North Carolina, and South Carolina Crop Freeze, April 2007; Texas, Oklahoma, Kansas, and Missouri Floods, June-July 2007; and Drought Indemnities estimation, September 2007.

**National Operations Review Follow-up Activities:** RSD responded to several national operations review reports from RMA Compliance which required development and implementation of corrective action plans with AIPs to address serious SRA violations.

**State Crop Insurance Premium Assistance:** RSD facilitated development of Memorandums of Understanding with the states of Delaware, Pennsylvania, and the AIPs to implement state crop insurance premium assistance payment programs for the 2007 crop year.

#### **Risk Management Education**

The ROs continue to implement risk management education provisions of the Agricultural Risk Protection Act of 2000 (ARPA). During the past year through development and coordination of partnerships, the ROs provided risk management education and outreach to over 49,000 agricultural producers and representatives during over 124,900 hours of RMA sponsored training at meetings and workshops throughout the United States.

Accomplishments in the Risk Management Education area included: assisting the ROs in executing cooperative agreements in 15 underserved states totaling \$4.5 million in funding; funding 93 partnership agreements across the nation totaling \$5.1 million; working with the Cooperative State Research, Education and Extension Service to fund \$5 million in risk management education grants; and cooperating with the National Future Farmers of America (FFA) Foundation in operating the 11<sup>th</sup> Annual FFA Risk Management Writing Contest. See page 22g-12 for further details on some of these accomplishments.

#### **Community Outreach**

Accomplishments in the Community Outreach Partnership Program includes funding, administering and providing substantial involvement for 49 outreach projects, totaling over \$4.6 million dollars. This aimed at providing women, limited resource farmers and ranchers with the information and training necessary to make informed decisions regarding the use of existing and emerging risk management tools. Through Partnership Agreements, we sponsored a National Outreach Conference entitled "Risk Management Strategies for Beginning and Small Farmers and Ranchers" to train users to disseminate information from the Regional Conferences entitled, "Success Strategies for Small and Limited Resource Farmers and Ranchers".

RMA entered into a Memorandum of Understanding (MOU) with the National Society of Minorities in Agriculture, Natural Resources and Related Sciences (MANRRS) to promote diversity in agriculture, natural resources and related sciences. RMA's initiatives include servicing agricultural producers through effective, market-based risk management solutions; promoting outreach efforts to diverse communities and organizations regarding the mission of RMA; and encouraging minorities and women students and professionals to consider careers with RMA. RMA has awarded \$10,000 in scholarships to MANRRS for four years. RMA representatives attended the MANRRS 22<sup>nd</sup> Annual Career Fair and Training Conference.

**Compliance**

RMA Compliance concentrates on the mission-critical task of evaluating and improving processes to prevent and deter waste, fraud and abuse, as well as building and adapting our reporting, tracking, and feedback systems to complement and incorporate the multiple integrity-related components mandated by ARPA. In 2004, Compliance initiated national program operation reviews of insurance providers to capture a program error rate in accordance with statutory requirements and assess company activities under the Standard Reinsurance Agreement. The Office of Management and Budget (OMB) as well as the USDA, Office of the Chief Financial Officer (OCFO) approved the plan to determine a program error rate. In 2008, Compliance completed the fieldwork on the fourth round of companies selected for review in order to provide an overall program assessment. The review plan calls for a review of one third of the participating Approved Insurance Providers (AIPs) each year in order to derive a program error rate every three years.

RMA, FSA, and the AIPs continued to improve program compliance and integrity through: 1) data reconciliation and matching for disaster program payments; 2) evaluating and amending procedures for referring potential crop insurance errors or abuse between FSA and RMA; and 3) creating anti-fraud and distance learning training packages as required by ARPA. Compliance has also improved efforts to integrate ad hoc data mining projects; explore avenues to expedite the processing of sanctions requests; and implement the Compliance case management and tracking system.

The formalized alliance with FSA, along with data mining and analysis, has improved referral activity to and from RMA. This is attributable to the greater emphasis placed upon deterrence and prevention efforts. In order to address the increased referral activity and the responsibilities of data reconciliation with FSA, RMA has sought to manage the additional workload by emphasizing data management and computer based resources. RMA continues to develop strategies to enhance program compliance through data mining and integration tools to evaluate, track, and improve program compliance and integrity.

**Comprehensive Information Management System (CIMS)**

Funding is provided to RMA for the development of the Comprehensive Information Management System, CIMS. This project provides a single centralized storage for common producer reported information and creates efficient services to share information reported to RMA and FSA for authorized agencies and private industry partners. CIMS will facilitate reporting of program participation data leading to reduced reporting errors; data redundancy; storage/processing costs; fraud and abuse vulnerabilities; and improve overall program integrity. The project also seeks to standardize RMA and FSA program participation requirements, common business terms, and data elements to the extent practical. This includes data used to establish producer entities, identifiers used for commodities (i.e. crop, type, and practice codes), acreage report dates, acreage report information, and production information collected from producers. One of the key goals of CIMS includes the standardization of common information reported by producers, thus reducing the amount of duplicate information reported to both programs. This can lead to simplified reporting of common producer and acreage information for all entities involved with the delivery of USDA programs.

The CIMS system is loaded weekly with over 500 million records of RMA and FSA nationwide producer and crop acreage information for 2005 thru 2009. Approved USDA users can utilize 15 web applications to access available data. The CIMS process builds data marts of differences between RMA and FSA producer reported data on entity/business type and crop acreage. These differences will be made available to the responsible program authority for reconciliation using current program authorities, processes, and procedures.

**PART Assessments**

RMA has continued to be responsive and submitted input for the revised 2005-2010 USDA Strategic Plan (SP) published in FY 2006. In response to the new USDA SP, RMA created a Strategic Planning Team (SPT) with the responsibility to work the various RMA Program Units to revise the RMA SP to ensure that it is aligned with the Department. The SPT also established objectives, performance measures, and actionable strategies to help RMA meet its goals. This process affected the original timetable established during the FY 2006 Budget and Performance cycle. During the PART process, RMA developed milestones to propose key legislation based on GAO and IG recommendations. A majority of these milestones have been accomplished. RMA continues to update and report its progress in meeting the PART milestones in the Management Information Tracking System. RMA gained final approval for its 2006-2011 Strategic Plan and the plan is available on the RMA website. RMA also has implemented an internal quarterly reporting process generated from the performance measures contained in its Strategic Plan that keeps management aware of the progress that RMA is making to implement the improvement plan recommended by the IG. This information will be made readily available on the RMA website upon its completion.

RISK MANAGEMENT AGENCY  
FEDERAL CROP INSURANCE CORPORATION FUND

STATUS OF PROGRAM

The Federal Crop Insurance Corporation (FCIC) is a wholly owned government corporation created February 16, 1938 (7 U.S.C. 1501.) The program was amended by Public Law (P.L.) 96-365, dated September 26, 1980, to provide for nationwide expansion of a comprehensive crop insurance plan. FCIC is administered by the Risk Management Agency (RMA), and promotes the national welfare by improving the economic stability of agriculture through a secure system of crop insurance.

**Current Activities:** Approximately 1,137,400 policies were written in crop year 2008 with an estimated \$9.6 billion in premium, and an estimated \$5.7 billion to be paid in indemnities. In FY 2008, \$3.4 billion in indemnities was obligated. The variation in indemnities between crop year 2008 and fiscal year 2008 is \$300,000. These indemnities are carried forward to the following fiscal year. Crop insurance is available for more than 350 different commodities in over 3,066 counties covering all 50 states, and Puerto Rico.

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.

**Pilot Programs**

Currently, RMA has 25 active pilot programs and seven programs developed by private parties or persons submitted to FCIC under section 508(h) of the Federal Crop Insurance Act. A Product Management priority for 2008 was identifying new commodities for development.

Current pilot and 508(h) programs are: Adjusted Gross Revenue (AGR) and Adjusted Gross Revenue-Lite (AGR-Lite), avocado actual production history (APH) Florida, avocado APH California, Biotechnology Yield Endorsement (BYE) Corn, Actual Revenue History (ARH), cherries, citrus (dollar), coverage enhancement option, cultivated clams, Florida fruit trees, forage seed, the IP and Indexed IP plan of insurance, nursery price endorsement; onion pilot stage removal option, sugar beet stage removal option, Pasture, Rangeland, Forage (Rainfall); Pasture, Rangeland, Forage (Vegetation); Hawaii tropical fruit; Hawaii tropical tree; processing chile peppers, silage sorghum, sweet potatoes, GRIP HRO, Hybrid Seed/Corn Price Endorsement; Livestock Gross Margin and Livestock Risk Protection; and Livestock Risk Protection-Lamb.

Evaluations conducted and actions taken on the affected pilot programs are as follows:

- Group Risk Plan (GRP) Rangeland – The pilot program evaluation for GRP Rangeland was concluded in July 2008. The Board approved the termination of this pilot program due to the inability of the pilot program to provide meaningful coverage for producers of rangeland. However, the Pasture, Rangeland and Forage pilot program was expanded into Montana this year.
- The Strawberry pilot program was terminated due to a low number of participants and an inability to provide meaningful coverage. However development of an ARH strawberry pilot program is underway.

- The Mustard pilot program was converted to a regulatory program.
- The Cabbage pilot program was converted to regulatory program.
- A contract was awarded to develop a Quarantine pilot program.
- A contract was awarded to develop an APH program for Sesame producers in Texas.
- A contract was awarded to develop an ARH plan of insurance for Strawberries, Oranges, Dry Peas, and Sugar Beets.
- A contract was awarded to determine the feasibility of including Citrus Greening in the Florida Fruit Tree Pilot Program.

Additional funding was made available to the following interagency agreements:

- Agricultural Marketing Service – Organic Market Information – Enhance the Market News and the Market News Information System to better meet the needs of the organic sector and initiate a nationwide pilot project to enhance price reporting for organic fruits and vegetables.
- Agricultural Research Service – Reduce risk in crop production through improved nitrogen and soil management based on biometeorology (interactions of plants and weather) coupled with remote sensing. The concepts developed for corn and soybean in Iowa will be evaluated for the rest of the Corn Belt and for small grains, cotton and perennial crops.

#### Reinsurance

For the 2009 reinsurance year, RSD approved 17 insurance companies and the Commonwealth of Puerto Rico's plan of operations to participate in the delivery of the Federal crop and livestock insurance program. In response to changes dictated by the Food, Conservation, and Energy Act of 2008, RSD developed and then issued a mandatory amendment to the Standard Reinsurance Agreement. Approved insurance providers were required to sign the amendment to be effective for the 2009 reinsurance year. Among the key changes included in the amendment were (a) reductions in the Administrative and Operating subsidies provided to approved insurance providers for delivering the crop insurance program; (b) a reduction in the CAT loss adjustment expense allocation; (c) a controlled business provision, which curtailed certain activities of some agents and policyholders to circumvent rebating prohibitions; and (d) the removal of references to the Premium Reduction Plan, which had been deauthorized in the Act.

#### National Outreach Program

RMA has implemented several initiatives to increase awareness and service to small and limited resource farmers and ranchers and other under-served groups and areas. Through the Partnership Agreements, we provided a venue for public and private agricultural organizations, land grant universities, community based organizations, farmers and ranchers and other stakeholders to identify, develop and promote successful risk management strategies that small and limited resource farmers and ranchers can utilize to remain economically viable in a rapidly changing agricultural environment. RMA is also partnering with community-based organizations, 1862, 1890, 1994 land grant

colleges and universities, and Hispanic Serving Institutions to provide technical program assistance and risk management education on strategies associated with legal, production, marketing, human resources, and labor risks. RMA funded 49 outreach projects in FY 2007 totaling more than \$8.3 million to provide outreach and assistance to women, small and limited resource farmers and ranchers.

#### **Student Employment Programs**

The agency utilized the student intern programs to address the under representation of women and minorities. In FY 2007, RMA hired ten students from across the country of various nationalities and both genders. RMA will continue to use these programs to achieve diversity goals.

#### **Risk Management Education**

During FY 2008, education and outreach programs focused on underserved states, specialty crop producers, and grants through the Cooperative State Research, Education, and Extension Service.

The first program was for commodity partnership agreements to reach producers of specialty crops. These commodity partnership agreements were established at a cost of \$4.4 million and executed with state departments of agriculture, universities, grower groups, non-profit organizations, and profit organizations. These agreements will reach specialty crop producers with broad risk management education. In addition, efforts were continued with the Future Farmers of America organization to educate and encourage youths' participation in the agriculture.

The second program was for small session commodity partnership agreements to reach producers of specialty crops. These commodity partnership agreements were established at a cost of \$689,000 and executed with universities, grower groups, non-profit organizations and for-profit organizations. These agreements will reach specialty crop producers with broad risk management education.

#### **Program Compliance and Integrity**

RMA, FSA and the Approved Insurance Providers continued to improve program compliance and integrity through: 1) data reconciliation and matching for disaster program payments; 2) evaluating and amending procedures for referring potential crop insurance errors or abuse between FSA and RMA; and 3) creating anti-fraud and distance learning training packages as required by ARPA. Compliance has also improved efforts to integrate other data mining projects; explore avenues to expedite the processing of sanctions requests; and implement the Compliance case management and tracking system.

The formalized alliance with FSA, along with data mining and analysis, greatly improved referral activity to and from RMA. This is attributable to the greater emphasis placed upon deterrence and prevention efforts. In order to deal with the referral activity and the responsibilities of data reconciliation with FSA, RMA has sought to manage the increase in workload by increasing emphasis on data management and computer based resources. RMA will continue to develop strategies to increase program compliance through data mining and integration tools to evaluate, track, and improve program compliance and integrity.

## RISK MANAGEMENT AGENCY

Summary of Budget and Performance  
Statement of Goals and Objectives

The primary responsibility of the Risk Management Agency (RMA) is to administer the Federal Crop Insurance Program in accordance with the 1938 Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) as amended. 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 helpful in devising and establishing such insurance. The mission of the agency is to promote, support, and regulate sound risk management solutions to strengthen and preserve the economic stability of America's agriculture producers. 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, insects, etc. 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 upon which those companies also share in the risk. Thus, the program is a joint effort between the Federal government and the private insurance industry for program delivery.

Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<p><b>Agency Goal :</b> Preserve and strengthen the economic stability of America's agricultural producers by promoting and supporting the use of sound risk management tools among farmers and ranchers.</p>	<p><u>Objective 1.1:</u> Increase the availability and effectiveness of risk management solutions.</p> <p><u>Objective 2.1:</u> Improve and protect the soundness, safety, efficiency and effectiveness of the risk management delivery system. *</p> <p><u>Objective 3.1:</u> Ensure customer and stakeholders have knowledge and awareness of risk management tools and products.</p>	<p>Federal Crop Insurance</p>	<p><u>Key Outcome:</u> 1.1: Increase the normalized value of risk protection provided to agriculture producers through FCIC sponsored insurance (\$Billions)</p>

Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<p><b>Agency Goal:</b> Preserve and strengthen the economic stability of America's agricultural producers by promoting and supporting the use of sound risk management tools among farmers and ranchers.</p>	<p><u>Objective 4.1:</u> Ensure effective oversight of the Crop Insurance industry and enhance deterrence and prosecution of fraud, waste, and abuse.</p>	<p>Federal Crop Insurance</p>	<p><u>Key Outcome:</u> 1.1: Increase the normalized value of risk protection provided to agriculture producers through FCIC sponsored insurance (\$Billions)</p>

**Selected Accomplishments Expected at the FY 2010 Proposed Resource Level:**

- RMA will continue efforts to increase the availability and effectiveness of risk management solutions.
- RMA will continue to evaluate contracts for the development of new and innovative risk management solutions to increase the availability of insurance for insuring pasture, rangeland, forage, and hay.
- As resources allow, RMA will work to resolve IT system deficiencies that have resulted from aging and outdated systems.
- RMA will continue to work towards establishing a system of recurring reviews of insurance providers to provide greater assurance in the integrity of all components of the risk management program.
- As resources allow, RMA will continue to invest in data mining and data warehousing of crop insurance data that have been proven to be useful tools to accomplish the goals of the program in detecting possible instances of fraud, waste, and abuse.

## RISK MANAGEMENT AGENCY

Summary of Budget and Performance  
Key Performance Outcomes and Measures

**Agency Goal:** Preserve and strengthen the economic stability of America's agricultural producers by promoting and supporting the use of sound risk management tools among farmers and ranchers.

**Key Outcome:** Increase the normalized value of risk protection provided to agriculture producers through Federal Crop Insurance Corporation (FCIC) sponsored insurance. Agricultural producers face severe economic losses annually due to such unavoidable causes as bad weather, natural disasters, pests, and price fluctuations or any combination of these factors. Much of the agricultural production sector is composed of small profit margins and good and bad production years. RMA provides risk management tools to farmers and ranchers to assist them in protecting their needs in times of disasters or other uncontrollable conditions that may threaten their livelihood. The FCIC provides tools to mitigate and manage the economic risk of U.S. agricultural producers. It improves the economic stability of agriculture by providing a variety of risk management tools and by continuing to assess producers' needs to ensure that new and innovative risk management alternatives are available. The increased value of risk protection provided to agricultural producers through FCIC sponsored insurance illustrates not only the acceptance of these products by producers but also the broadening of economic stability across the agricultural spectrum.

**Key Performance Measure:** Increased normalized value of risk protection provided to agricultural producers through FCIC sponsored insurance. The value of risk protection denotes the amount of insurance in force protecting and stabilizing the agricultural economy. The normalized value uses an average of the 2000 through 2004 ten staple commodity prices that comprise the bulk of the liability. The model uses the latest information from the crop insurance program and combines it with the USDA baseline projections for the major crops including 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 behave in a way that is consistent with the USDA projections for the major crops. Thus, the budget and performance projections for the crop insurance program mainly depend on the baseline projections from USDA.

**Key Performance Targets:**

Performance Measure	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Target	2010 Target
#1 – Increase the normalized value of FCIC risk protection coverage provided through FCIC sponsored insurance (\$Billions)	\$44.7	\$48.1	\$50.7	\$51.5	\$51.4	\$53.4
Mandatory and discretionary funding associated with measure (\$Billions)	\$2.3	\$3.4	\$4.4	\$4.2	\$6.7	\$6.7
Discretionary IT Funding (\$ Millions)	\$15.1	\$19.6	\$17.9	\$13.7	\$13.7	\$13.7
#2 – The number of crop insurance or non-insurance risk management tools which address pasture, rangeland and forage production needs	2	3	5	7	8	8

Performance Measure	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Target	2010 Target
Mandatory and discretionary funding associated with measure	\$750,000	\$1.5M	\$1.8M	\$1.8M	\$1.4M	\$1.4M
#3 – The number of pilot programs evaluated for potential conversion from pilot program to permanent program status	8	4	4	3	2	2
Mandatory and discretionary funding associated with measure	\$3.0M	\$3.0M	\$4.0M	\$3.0M	\$0.2M	\$0.2M
#4 – Crop Insurance participation rate for the ten staple crops	79%	79.5%	79.5%	80.0%	80.5%	80.5%
Mandatory and discretionary funding associated with measure	\$2,713/\$1B In liability	\$2,521/\$1B In liability	\$2,390/\$1B in liability	\$1,549/\$1B in liability	\$1,470/\$1B in liability	\$1,470/\$1B in liability
#5 – The number of producers reached through Commodity Partnership and Targeted States Cooperative Agreements	47,000	48,000	48,720	49,451	25,000	50,193
Mandatory and discretionary funding associated with measure	\$14M	\$14M	\$15M	\$8.75M	\$5.4M	\$8.75M
#6 – The number of financial operational reviews conducted of insurance companies receiving funding through FCIC	7	5	6	5	6	6
Mandatory and discretionary funding associated with measure	\$97,000	\$62,000	\$90,000	\$85,000	\$109,000	\$114,000
#7 – The number of program operational reviews of insurance providers receiving funding through FCIC	5	6	6	6	6	6
Mandatory and discretionary funding associated with measure	\$1.4M	\$1.7M	\$1.7M	\$1.8M	\$1.9M	\$1.9M

**RISK MANAGEMENT AGENCY**  
**Full Cost By Strategic Objective**

	FY 2008 (\$000)	FY 2009 (\$000)	FY 2010 (\$000)
<b>Strategic Objective 2.3: Provide Risk Management and Financial Tools to Farmers and Ranchers</b>			
<b>PROGRAM</b>	<b>PROGRAM ITEMS</b>		
Federal Crop Insurance Corporation Fund			
Agricultural Risk Protection Act Initiatives	42,791	68,500	68,500
Premium Program	4,377,350	6,892,983	8,837,530
A&O Expenses/Delivery Expenses	1,994,615	1,621,679	1,545,767
Risk Management Assistance Program	5,000	6,000	6,000
Excess Crop Losses	1,577,759	967,415	914,732
Total	\$ 7,997,515	\$ 9,556,577	\$ 11,372,529
Administrative and Operating Expenses			
Administrative Costs (direct)	\$ 61,863	\$ 63,606	\$ 66,754
Information Technology	13,303	13,571	13,571
Total	\$ 75,166	\$ 77,177	\$ 80,325
Performance measure: Increase the normalized value of FCIC risk protection coverage provided through FCIC sponsored insurance (in billions)			
Performance target:	\$53.7	\$54.8	\$50.7
Unit Cost:	N/A	N/A	N/A
<b>TOTAL PROGRAM</b>	<b>\$ 8,072,681</b>	<b>\$ 9,633,754</b>	<b>\$ 11,452,854</b>
<b>TOTAL FTEs</b>	<b>480</b>	<b>553</b>	<b>568</b>