

FY 2003

BUDGET SUMMARY



U. S. DEPARTMENT OF AGRICULTURE

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INTRODUCTION

The Budget Summary describes the fiscal year 2003 budget for the U.S. Department of Agriculture (USDA). All references to years refer to fiscal year, except where specifically noted. Throughout the booklet, “1996 Farm Bill” and “The Act” are used to refer to the Federal Agriculture Improvement and Reform Act of 1996.

The Summary is organized into six sections: Funding Overview, Mission Area Highlights, Agriculture Infrastructure and Security, Mission Area/Agency Details, Homeland Security and Appendix Tables.

Basic budget terminology:

- **Program Level** represents the gross value of all financial assistance USDA provides to the public. This assistance may be in the form of grants, guaranteed or direct loans, cost-sharing, professional services such as research or technical assistance activities, or in-kind benefits such as commodities.
- **Budget Authority** is the authority to commit funds of the Federal Treasury. Congress provides this authority through annual appropriations acts and substantive legislation which authorizes direct spending. The President's budget requests the Congress to appropriate or otherwise provide an amount of budget authority sufficient to carry out recommended government programs.
- **Obligations** are commitments of government funds. In order for USDA to make a valid obligation, it must have a sufficient amount of budget authority to cover the obligation.
- **Outlays** are cash disbursements from the Federal Treasury to satisfy a valid obligation.

Program level measures are used in most instances. However, there are some cases when other measures are used and the reader should take care to note which measure is being used. Estimates for 2001 have been adjusted to reflect the impact of rescissions under Public Law 106-554, the Consolidated Appropriations Act of 2001. Finally, the reader should understand that many 2002 estimates are very tentative, especially where programs are sensitive to weather or economic conditions.

Questions may be directed to the Office of Budget and Program Analysis via e-mail at bca@obpa.usda.gov or telephone at (202) 720-6176.

FUNDING OVERVIEW

2003 Funding Overview

USDA's 2003 discretionary program outlays are about \$20.6 billion, a decrease of \$241 million above the 2002 level. The discretionary program outlays are about 28 percent of total USDA outlays and include the Special Supplemental Nutrition Program for Women, Infants and Children (WIC); programs to address agricultural pest and disease threats; rural development; research and education; soil and water conservation technical assistance; management of the National Forests and Grasslands and other Forest Service activities; and domestic and international marketing assistance. Mandatory programs account for the remaining 72 percent of USDA outlays, about \$53.8 billion in 2003 which is a decrease of \$1.9 billion from the 2002 level. These programs provide services as required by law and include the majority of the nutrition assistance programs, commodity programs, export promotion programs and a number of conservation programs.

The Administration published *Food and Agricultural Policy: Taking Stock for the New Century*, a set of principles to provide the foundation for meeting current and future challenges in the food and agriculture sector. The document provides a long term view of the agriculture and food system and sets forth the Administration's principles for efforts and investments to meet the needs of this critical system. In addition to guiding the Administration's efforts in developing the new farm bill, this document has also been a strong factor in the development of the 2003 budget for USDA. References to the document are made throughout this Budget Summary.

The 2003 budget includes proposed legislation to require agencies, beginning in 2003, to pay the full government share of the accruing cost of the retirement for current employees covered by the Civil Service Retirement System. The legislation would also require agencies to pay the accruing cost of post-retirement health benefits for current employees. These costs have previously been paid on a governmentwide basis through the Office of Personnel Management. The 2001 and 2002 columns of the 2003 budget are presented on a comparable basis with the 2003 columns.

FUNDING OVERVIEW

UNITED STATES DEPARTMENT OF AGRICULTURE (Dollars in Millions)

AGENCY / PROGRAM	Program Level				Outlays			
	2001 Actual	2002 Current Estimate	2003 Budget	Change 2002 to 2003	2001 Actual	2002 Current Estimate	2003 Budget	Change 2002 to 2003
FARM AND FOREIGN AGRICULTURAL SERVICES								
Farm Service Agency (p. 18):								
Farm Loan and Grant Programs.....	\$3,406	\$3,694	\$3,806	\$112	\$494	\$1,452	\$246	-\$1,206
Carry Over.....	0	589	164	-425	0	49	0	-49
Conservation and Other Programs.....	1,757	1,817	1,968	151	1,697	1,916	1,938	22
Commodity Programs.....	30,044	22,284	17,208	-5,076	21,746	14,171	8,931	-5,240
Commodity Credit Corporation Programs.....	(36,061)	(29,306)	(24,240)	(-5,066)	(22,099)	(17,442)	(11,625)	(-5,817)
Farm Bill Legislation.....	0	4,640	7,825	3,185	0	4,200	7,271	3,071
Salaries and Expenses.....	1,219	1,295	1,344	49	1,210	1,309	1,356	47
Total, Farm Service Agency.....	36,426	34,319	32,315	-2,004	25,147	23,097	19,742	-3,355
Risk Management Agency (p. 27):								
Administrative and Operating Expenses.....	71	80	76	-4	85	95	77	-18
Crop Insurance Fund.....	3,133	2,955	2,825	-130	2,463	2,883	2,785	-98
Total, Risk Management Agency.....	3,204	3,035	2,901	-134	2,548	2,978	2,862	-116
Foreign Agricultural Service (p. 29):								
Export Credit Guarantees.....	3,227	3,926	4,225	299	-1,782	400	270	-130
Market Development Programs.....	119	120	120	0	127	120	120	0
Export Subsidy Programs.....	15	539	541	2	30	517	540	23
P.L. 480.....	1,086	1,214	1,345	131	1,235	1,510	1,210	-300
Section 416(b) Donations: Ocean Freight and Overseas Distribution Costs.....	469	290	7	-283	339	290	8	-282
Food for Progress Program.....	104	109	0	-109	102	215	0	-215
Salaries and Expenses.....	201	198	208	10	143	145	159	14
Total, Foreign Agricultural Service.....	5,221	6,396	6,446	50	194	3,197	2,307	-890
Total, Farm and Foreign Agricultural Service.....	44,851	43,750	41,662	-2,088	27,889	29,272	24,911	-4,361
RURAL DEVELOPMENT								
Rural Utilities Service (p. 42):								
Loans and Grants.....	4,845	6,998	4,783	-2,215	1,221	750	739	-11
Rural Housing Service (p. 44):								
Loans and Grants.....	4,906	6,111	5,243	-868	1,875	1,501	1,594	93
Rural Business - Cooperative Service (p. 47):								
Loans and Grants.....	1,300	1,316	845	-471	182	170	147	-23
Salaries and Expenses.....	645	653	685	32	124	169	171	2
Rural Community Advancement Program (p. 41).....	(3,152)	(3,495)	(2,767)	(-728)	(906)	(777)	(765)	(-12)
Total, Rural Development.....	11,696	15,078	11,556	-3,522	3,402	2,590	2,651	61
FOOD, NUTRITION, AND CONSUMER SERVICES								
Food and Nutrition Service (p. 49):								
Food Stamp Program.....	19,233	22,824	24,297	1,473	18,993	22,695	24,101	1,406
Farm Bill Proposed Legislation.....	0	0	29	29	0	0	29	29
Child Nutrition Programs.....	10,262	10,729	11,325	596	9,961	10,724	11,236	512
Women, Infants and Children (WIC).....	4,220	4,465	4,712	247	4,077	4,426	4,725	299
All Other.....	543	564	412	-152	490	555	446	-109
Total, Food and Nutrition Service.....	34,258	38,582	40,775	2,193	33,521	38,400	40,537	2,137
Section 32 Funds.....	455	273	215	-58	376	271	214	-57
Total, Food, Nutrition, and Consumer Service.....	34,713	38,855	40,990	2,135	33,897	38,671	40,751	2,080
FOOD SAFETY								
Food Safety and Inspection Service (p. 54).....								
Homeland Security Supplemental.....	0	15	0	-15	0	8	7	-1
NATURAL RESOURCES AND ENVIRONMENT								
Natural Resources Conservation Service (p. 58)								
Conservation Operations.....	777	847	897	50	729	882	895	13
Watershed Operations.....	113	133	0	-133	100	134	124	-10
Emergency Watershed Protection.....	147	0	111	111	90	101	67	-34
Other Conservation Programs.....	52	58	52	-6	81	81	69	-12
Programs financed by CCC:								
Environmental Quality Incentives Program.....	163	200	200	0	133	139	190	51
Wetlands Reserve Program.....	182	0	0	0	144	115	57	-58
Agricultural Management Assistance (ARPA).....	8	0	0	0	0	0	0	0
Other ARPA Programs (ARPA).....	50	1	0	-1	11	11	9	-2
Total, Natural Resources Conservation Service.....	1,492	1,239	1,260	21	1,288	1,463	1,411	-52

FUNDING OVERVIEW

UNITED STATES DEPARTMENT OF AGRICULTURE (Dollars in Millions)

AGENCY / PROGRAM	Program Level				Outlays			
	2001 Actual	2002 Current Estimate	2003 Budget	Change 2002 to 2003	2001 Actual	2002 Current Estimate	2003 Budget	Change 2002 to 2003
Forest Service (p. 61):								
National Forest System.....	1,377	1,394	1,430	36	1,326	1,340	1,425	85
Forest and Rangeland Research.....	242	253	254	1	227	281	262	-19
State and Private Forestry.....	324	295	282	-13	259	441	313	-128
Wildland Fire Management.....	1,929	1,612	1,426	-186	1,144	1,486	1,429	-57
Capital Improvement and Maintenance.....	537	562	568	6	467	631	626	-5
Land Acquisition.....	152	152	131	-21	117	101	139	38
All Other.....	15	10	10	0	52	15	10	-5
Total, Discretionary Accounts.....	4,576	4,278	4,101	-177	3,592	4,295	4,204	-91
Mandatory.....	616	778	776	-2	781	798	777	-21
Total, Forest Service.....	5,192	5,056	4,877	-179	4,373	5,093	4,981	-112
Total, Natural Resources and Environment ...	6,684	6,295	6,137	-158	5,661	6,556	6,392	-164
MARKETING AND REGULATORY PROGRAMS								
Animal and Plant Health Inspection Service (p. 67)								
Salaries and Expenses	734	847	1,056	209	682	841	1,072	231
Emergency Funding	336	151	0	-151	236	205	46	-159
Other APHIS Programs	19	20	27	7	8	21	32	11
Homeland Security Supplemental.....	0	119	0	-119	0	60	59	-1
Total, Animal Plant and Health Inspection Ser	1,089	1,137	1,083	-54	926	1,127	1,209	82
Agricultural Marketing Service (p. 70).....	386	291	302	11	341	220	239	19
Grain Inspection, Packers and Stockyards Administration (p. 73).....								
Total, Marketing and Regulatory Programs.....	1,544	1,506	1,470	-36	1,301	1,382	1,461	79
RESEARCH, EDUCATION, AND ECONOMICS								
Agricultural Research Service (p. 77):								
Ongoing Appropriations for Research & Informa	990	1,057	1,049	-8	949	1,014	1,013	-1
Ongoing Appropriations for Buildings & Faciliti	74	119	17	-102	54	72	82	10
Homeland Security Supplemental.....	0	113	0	-113	0	41	29	-12
Total, Agricultural Research Service.....	1,064	1,289	1,066	-223	1,003	1,127	1,124	-3
Cooperative State Research, Education, and Extension Service (p. 82):								
Appropriations for CSREES.....	1,038	1,042	1,032	-10	982	1,064	1,041	-23
Initiative for Future Agriculture & Food Systems	120	0	0	0	28	12	12	0
Total, CSREES.....	1,158	1,042	1,032	-10	1,010	1,076	1,053	-23
Economic Research Service (p. 87).....	74	76	82	6	69	70	81	11
National Agricultural Statistics Service (p. 88)..	109	122	149	27	108	118	145	27
Total, Research, Education, and Economics.....	2,405	2,529	2,329	-200	2,190	2,391	2,403	12
OTHER ACTIVITIES								
Departmental Offices (p. 90).....	146	149	192	43	146	153	183	30
Centralized Activities.....	81	78	114	36	189	250	114	-136
Homeland Security Supplemental.....	0	81	28	-53	0	54	55	1
Common Computing Environment.....	59	59	133	74	13	97	130	33
Office of Inspector General (p. 96).....	77	80	87	7	80	75	92	17
Loan Repayments & Reestimates.....	0	0	0	0	-4,368	-4,414	-4,411	3
Receipts.....	0	0	0	0	-2,499	-1,296	-1,092	204
USDA, TOTAL.....	\$103,107	\$109,352	\$105,604	-\$3,748	\$68,599	\$76,565	\$74,443	-\$2,122

a/ The Agricultural Risk Management Act provides \$10 million for Agricultural Management Assistance to be allocated by the Secretary.

MISSION AREA HIGHLIGHTS

The Department's 2003 Budget supports achievement of its Strategic Goals as follows:

- *Expand economic and trade opportunities for U.S. agricultural producers.*
- *Promote health by providing access to safe, affordable and nutritious food.*
- *Maintain and enhance the Nation's natural resources and environment.*
- *Enhance the capacity of all rural residents, communities and businesses to prosper.*
- *Operate an efficient, effective and discrimination-free organization.*

Following are mission area highlights of the Department's budget proposals in support of these goals:

FARM AND FOREIGN AGRICULTURAL SERVICES

This mission area supports expanded economic and trade opportunities for agricultural producers through commodity and income support, export promotion, farm credit, risk management, and related programs. These programs provide a safety net to help ensure the long-term economic vitality of American farmers and ranchers.

The Administration is committed to working with the Congress to fund and develop a new farm bill based on sound farm policy which provides a strong market-oriented economic safety net for farmers and strengthens the economic viability and global leadership of our diverse food and agriculture system. In addition, the Administration supports strengthened complementary conservation programs to promote environmentally sound land management while strengthening farm income. The 2003 budget includes resources to:

- **Provide for a generous farm bill.** As previously announced, the Administration will support a generous Farm Bill which is based on sound policy. The budget meets this commitment by allocating \$73.5 billion over 10 years for such a Farm Bill for farm commodity and income support, conservation, trade, research, food assistance and other programs.
- **Ensure that family farmers have sufficient credit to maintain their farming operations.** The budget proposes a total loan level of \$3.8 billion for direct and guaranteed farm loans. This is approximately the same level of funding that has been budgeted in recent years and is expected to provide operating loans to about 31,000 farmers and ownership loans to about 5,500 people. (See page 19.)
- **Strengthen crop insurance delivery to ensure that farmers have access to sound risk management tools.** USDA provides roughly \$35 billion of risk management protection for the Nation's farmers against price and production losses. Crop insurance is delivered by private insurance companies who are reimbursed for their delivery expense. In addition, the insurance providers are able to earn underwriting gains on those policies for which they retain the risk of

MISSION AREA HIGHLIGHTS

losses. While participation in the crop insurance program is voluntary, participation is encouraged by subsidizing the premium paid by farmers for coverage. As a result of this subsidy, participation in the program has increased dramatically and is around 77 percent of the Nation's acres planted to principal crops. This has resulted in a windfall in underwriting gain for the insurance providers. Underwriting gains have increased about 400 percent from the levels of the early 1990's. The budget proposes to cap underwriting gains at 12.5 percent of the retained premium. This proposal is expected to save about \$115 million. (See page 27.)

- **Support the Administration's goal of opening new markets overseas and expanding U.S. agricultural exports by providing a total program level of over \$6.4 billion for the Department's international programs and activities.** The budget provides an increase of over \$1.2 billion above the 2001 level and \$50 million above the current estimate for 2002 for international programs and activities. The budget includes a program level of \$4.2 billion for CCC export credit guarantee programs, led by continued strong growth in the Supplier Credit Guarantee Program. Funding for market development programs, including the Market Access Program and Cooperator Program, is maintained at the current level of \$120 million. The budget also provides \$478 million for the Export Enhancement Program and \$63 million for the Dairy Export Incentive Program. Consistent with the results of the Administration's management review of U.S. foreign food assistance activities, the program level for P.L. 480 foreign food assistance is increased to over \$1.3 billion; this is expected to support approximately 3.7 million metric tons of commodity assistance. In addition, the budget does not assume donations of commodities under Section 416(b) authority that rely on the purchase of surplus commodities by CCC. However, commodities that are acquired by CCC in the normal course of its domestic support operations will be available for donation through government-to-government agreements. Increased funding is provided for the Foreign Agricultural Service (FAS) for an e-Government initiative to modernize its business practices and operations and for expanded training of foreign agricultural officials under the Cochran Fellowship Program. (See page 29.)

RURAL DEVELOPMENT

The Rural Development (RD) mission area helps to improve the quality of life for rural Americans and to create opportunities for rural businesses and cooperatives to compete in the global marketplace. RD provides financial and technical assistance to help individuals, local communities and rural businesses, concentrating on those with the greatest need. These opportunities include decent, safe, affordable housing, establishment of rural businesses and community facilities, development of modern and affordable water and waste services, and installation of electric and telecommunications services.

The 2003 budget requests \$2.7 billion in budget authority to support \$11.5 billion in direct loans, loan guarantees, grants, and technical assistance and to pay administrative expenses. Highlights of the request include:

- **Support for about 50,000 home ownership opportunities in rural America.** The budget request supports \$957 million in direct loans and \$2.75 billion in guaranteed loans for decent,

MISSION AREA HIGHLIGHTS

safe, affordable single family housing. This funding will improve the availability and quality of housing for some of the poorest families in the country. (See page 44.)

- **Direct loans for multi-family Section 515 rural rental housing projects would be limited to repair, rehabilitation and related purposes.** There would be no new projects until the Department completes a comprehensive review of program alternatives, focusing on more efficient ways of funding new construction and servicing the existing portfolio of about 17,800 projects with an outstanding indebtedness of almost \$12 billion. Support for existing occupants in rural rental housing projects will continue to be provided through the rental assistance payments program.
- **Support for the water and waste disposal program.** The budget supports \$814 million in direct loans, \$75 million in guaranteed loans and \$587 million in grants. The program will provide over 1.4 million rural residents with safer and cleaner drinking water and over 500,000 with waste disposal services. (See page 41.)

FOOD, NUTRITION, AND CONSUMER SERVICES

This mission area works to improve the nutritional levels of Americans by providing more resources to low-income families for food and by promoting proper nutrition and exercise. The 2003 budget reflects our commitment to the nutrition safety net by including a record \$40.9 billion for domestic nutrition assistance programs. This funds the projected needs of the Food Stamp, Child Nutrition, WIC, and other related programs. (See page 49.) Highlights of the 2003 domestic nutrition assistance budget include:

- **Support for up to 20.6 million food stamp participants, including legislative changes to strengthen Quality Control (QC), help legal immigrants, simplify the program and encourage work.** The legislative changes and a projected increase in the unemployment rate are expected to contribute to an increase in participation of 0.8 million over 2002 and 3.3 million over 2001, increases of about 4 percent and almost 20 percent, respectively. The 2003 budget program level for the Food Stamp Program is \$24.3 billion, an increase of \$1.5 billion above 2002 and \$5.1 billion above 2001. In addition, the budget proposes a \$2 billion contingency fund to cover any unanticipated increases in participation. The QC changes and additional funds for program integrity activities will help reduce the \$1 billion in overpayments seen each year, as well as reduce underpayments. Although the QC collected over \$6 million in sanctions in the last few months, and error rates are down, the proposed changes will make the system work far better. Legal immigrants who have been in the U.S. for 5 years will again be allowed to apply for food stamps. Funding is also included for food stamp nutrition education and activities to inform eligible non-participants of the availability of food stamp benefits. Food Distribution Program on Indian Reservations, Nutrition Assistance for Puerto Rico and American Samoa are also fully funded.
- **Support for a monthly average of 7.8 million low-income, nutritionally at risk, WIC participants.** The 2003 budget funds the WIC Program at a program level of \$4.7 billion, an increase of \$247 million above 2002 and \$492 million over 2001. Included within this funding, the budget proposes a \$150 million contingency fund to cover any unanticipated increases in

MISSION AREA HIGHLIGHTS

participation. The request provides for projected increases in program demand due to the softening economy, increased food costs, and increases in the need for administrative expenses for the States to handle the caseload growth. WIC has grown to be a vital part of the nutrition safety net, one which provides better nutrition and a gateway to healthcare for needy recipients during the stage in life where these things can make the most difference. Included in the request is \$14 million for State-level infrastructure, a \$4 million increase above 2002. Of this amount, \$6 million is for EBT systems development and \$8 million is available to meet other infrastructure needs such as breastfeeding promotion, and special State projects that are designed to help improve the delivery of WIC services. No funding is requested in 2003 for the WIC Farmers' Markets Nutrition Program.

- **Support balanced meals for school children via funding the School Lunch Program for an average of 28.4 million children each day, and the School Breakfast Program for 8.3 million children each day.** The 2003 budget funds the Child Nutrition Programs at a program level of \$11.3 billion, an increase of \$596 million above 2002. This includes funds to provide for additional meals in child care and after school settings as authorized by the William F. Goodling Child Nutrition Reauthorization Act of 1998. This level provides for an increase in participation and food inflation costs and continues Team Nutrition funding. The number of meals projected for 2003 in the School Lunch Program is 4.8 billion, an increase of 1.5 percent over the 2002 level.

FOOD SAFETY

This mission area ensures that the Nation's meat, poultry and processed egg product supply is safe, wholesome and properly labeled, and oversees the work of the U.S. Manager for Codex Alimentarius (a commission that develops international food safety standards). Food safety plays an integral role in providing stability to the agriculture sector by preventing foodborne disease that erodes consumer confidence in the U.S. food supply. Recent accomplishments, such as the full implementation of the Pathogen Reduction/Hazard Analysis and Critical Control Point (HACCP) final rule, have contributed to a reduction in the incidence of pathogens in meat and poultry and related foodborne illnesses. The implementation of science-based inspection systems and the provision of training, tools, and information will enable inspectors to better evaluate the food safety hazards that threaten the food supply. For 2003, the budget includes:

- **A program level of \$905 million for ensuring the safety of the meat, poultry, and egg products supply.** The budget includes the resources necessary to support FSIS food safety activities, including maintaining approximately 7,600 meat, poultry, and egg products inspectors. Additional funding of \$14.5 million is included to improve the information technology infrastructure to support implementation of improved risk management systems and resource allocation to maximize food safety. An increase of \$2.7 million is included to conduct slaughter epidemiological surveys and risk prevention activities for small and very small establishments.
- **A proposal to replace the existing overtime fee with a revised structure.** The proposal would reduce current overtime rates and charge establishments for inspection services now provided to establishments without reimbursement for second and third shifts. The budget also

MISSION AREA HIGHLIGHTS

includes a proposal to assess an annual licensing fee for meat, poultry, and egg products establishments. These proposals would become effective in subsequent years. (See page 54.)

NATURAL RESOURCES AND ENVIRONMENT

The Natural Resources and Environment mission area promotes conservation and sustainable use of natural resources on the Nation's private lands through education, technical and financial assistance. The mission area is also responsible for meeting public demands for recreation, timber and other goods and services through management of approximately 192 million acres of National Forests and grasslands. The Administration is committed to preserving natural resources for future generations through assistance to farmers, ranchers and other private landowners and through sound management of public lands. The budgets for NRCS (see page 58) and Forest Service (see page 61) programs include resources to:

- **Provide technical and financial assistance to enhance the conservation of natural resources.** The USDA budget includes \$787 million for NRCS conservation technical assistance activities, an increase of \$46 million over the 2002 level. This will maintain the agency's locally led, voluntary conservation effort. It will also increase assistance to animal feeding operations (AFOs) in developing and implementing waste management plans to the extent practicable. It also proposes to terminate all non-emergency funding for watershed programs while requesting \$111 million in appropriated funding for the Emergency Watershed Protection program. The President's Budget includes an additional \$73.5 billion in funding over a ten year period for Farm Bill programs. The Budget assumes that a portion of this will be allocated to conservation programs, including funds to support a \$1 billion level for EQIP in 2003.
- **Reduce damage caused by wildfires, restore and maintain ecosystem health, and deliver cost effective goods and programs to the public.** The 2003 budget includes approximately \$1.5 billion in funding for the National Fire Plan, a decrease of about \$185 million below the 2002 level. The reduction from 2002 is a result of reducing one-time emergency funding that was enacted to meet short-term needs. The National Fire Plan is organized into the following major areas: firefighting; rehabilitation and restoration; hazardous fuels reduction; forest health management; rural and community assistance; and research and development. The 2003 budget for the National Fire Plan includes \$235 million for hazardous fuels reduction on 1.7 million acres, \$627 million for fire preparedness, and \$443 million for suppression activities. The budget also includes a \$20 million pilot fire plain easements program. Under the proposed program, State officials, in consultation with the Secretary, would identify areas within and adjacent to National Forest System lands where potential fire suppression expenditures may exceed the estimated value of the private land. Within identified areas, States or the Secretary may use grant funds to acquire on a "willing seller" basis perpetual easements to permit the implementation of fire suppression strategies, including allowing fires to burn without suppression activities.
- **Enhance the ability of the National Forest System to meet multiple demands.** A total of \$1.4 billion is proposed for management of the National Forests. The budget includes \$15 million to expedite endangered species consultations, \$5 million to assist in implementation

MISSION AREA HIGHLIGHTS

of the National Energy Plan, and \$7 million to expand recreation, heritage and wilderness management. Funding for management of the National Forests includes \$278 million for forest products to support a timber sales offer level of approximately 2.0 billion board feet (bbf) depending on salvage sales volume. In 2002, 2.0 bbf are programmed to be offered for sale.

- **Further the President's management agenda by restructuring Forest Service to improve performance.** The Department is committed to meeting the President's goals of reducing management ranks and providing better service. Forest Service has developed an initial workforce restructuring plan that includes significant management reforms which will improve service to citizens and increase administrative efficiencies. The restructuring plan will include reducing organizational size and layers, reducing decision making time, redirecting resources to service delivery positions, ensuring accountability, increasing competitive sourcing, and improving financial management. The budget also includes \$10 million to assist Forest Service to complete 22 Service-First collocations with the Bureau of Land Management by the end of 2005. In addition, the budget includes a pilot charter forest legislative proposal that establishes forests or portions of forests as separate entities, outside of the existing structure and reporting to a local trust entity for oversight.

MARKETING AND REGULATORY PROGRAMS

The mission of Marketing and Regulatory Programs is to expand the domestic and international marketing of U.S. agricultural products and to protect the health and welfare of animals and plants. These programs provide the basic infrastructure to improve agricultural market competitiveness for the overall benefit of both consumers and producers of American agriculture. The budget proposes funding to:

- **Protect American agriculture from plant pests and animal diseases.** The 2003 budget proposes a program level for the Animal and Plant Health Inspection Service (APHIS) of over \$1 billion for salaries and expenses, a \$209 million increase over the 2002 current estimate. About \$48 million of this increase is devoted to enhancing agricultural quarantine inspection activities and other activities to prevent the inadvertent or intentional introduction of foreign animal or plant health threats. Funding is increased by \$48 million for animal health monitoring and surveillance and other pest detection activities to quickly identify outbreaks that may occur. Resources for veterinary diagnostics are boosted for increased foreign animal disease testing and diagnostic assistance to the domestic poultry industry. Scientific and technical support are boosted by \$12 million. Funding for pest and disease management, including some emergency programs, would receive appropriations of about \$101 million more than in 2002. Some of these activities were funded in 2002 or earlier years by Commodity Credit Corporation (CCC) funds. The Secretary retains authority to use funds from the CCC to combat any new emergency pest and disease outbreaks. However, the Administration is concerned about rising Federal costs of emergency pest and disease control activities, and expects to seek public comment before the end of the year on ways to share the costs with States and the private sector. The 2003 budget proposes user fees to recover some of the costs for animal welfare efforts. (See page 67.)
- **Expand trade opportunities for agricultural producers and improve the efficiency of marketing and distribution systems.** A total program level of \$302 million is requested for

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the Agricultural Marketing Service (AMS), which includes \$79 million of appropriated funds for Marketing Services and Payments to States. The budget includes an increase of \$1 million to expand international market news reporting in Central America, South America, and Asia. Increasing the availability of accurate, timely, and unbiased international market information is required for American producers to be competitive in a global economy. The budget also includes an increase of \$1.6 million to implement improvements to the Pesticide Data Program and the Federal Seed Act Program. Improvements to program infrastructure are necessary to ensure effective delivery of program services to American agriculture. (See page 70.)

- **Ensure competitive, efficient markets.** The Grain Inspection, Packers and Stockyards Administration (GIPSA) program level request totals \$85 million. It includes an increase of almost \$3.5 million to provide enhanced information technology applications, such as on-line applications and data provision. In addition, more than \$2 million would help ensure competitive, efficient market functioning through Packers and Stockyards programs and expanded capabilities of the biotechnology testing efforts. The budget proposes to charge fees to packers, live poultry dealers, poultry processors, stockyard owners, market agencies and dealers regulated under the Packers and Stockyards Act to fund the Packers and Stockyards program. The budget also proposes user fees to recover costs associated with developing, reviewing, and maintaining official U.S. grain standards used by the grain industry. (See page 73.)

RESEARCH, EDUCATION, AND ECONOMICS (REE)

The Research, Education, and Economics (REE) mission area and its four agencies have Federal leadership responsibility for the creation and dissemination of knowledge spanning the biological, physical, and social sciences related to agricultural and food research, economic analysis, statistics, extension, and higher education. Through its programs, REE enhances the U.S. position as a global leader in a highly competitive food and fiber system; promotes sustainable agricultural practices in harmony with the environment; and contributes to thriving rural communities and well-informed consumers. Total funding for the REE agencies in 2003 is estimated at \$2.3 billion. Within the total, funding for earmarked programs and selected lower priority work is eliminated in favor of competitively awarded grants and other high priority program increases. Highlights in the REE budget include:

- **Supporting research for fundamental and applied sciences in agriculture.** The National Research Initiative (NRI), the Nation's premier competitive peer reviewed research program for fundamental and applied sciences in agriculture, will be doubled from \$120 million to \$240 million. Major NRI initiatives include food safety, invasive species, pest management, emerging diseases, and genetic resources. The increase will enable USDA to conduct novel and cutting edge science that will immediately impact agriculture through extension and technology transfer. Additionally, the NRI will help to guarantee the training and education of the next generation of agricultural scientists and will enable USDA to forge increased partnerships with other Federal agencies on research topics of mutual interest.
- **Preventing and controlling exotic diseases and pests that threaten U.S. agriculture.** Increases totaling \$13 million are proposed to fund critical ARS research on emerging,

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reemerging, and exotic diseases and pests of plants and animals. In 2003, an increase of \$2 million for animal health research will focus specifically on Bovine Spongiform Encephalopathy (BSE) or “mad cow disease” and an increase of \$2.5 million is included for developing sensitive diagnostic methods and vaccines to control Foot and Mouth Disease (FMD). An increase of \$5.4 million will be directed at early warning detection, diagnostics, control, and prevention strategies for exotic plant diseases.

- **Advancing agricultural genomic research.** Harnessing the inherent potential of genetic resources holds the promise for effectively meeting many of the challenges facing agriculture, such as threats from new pests and pathogens. More rapid and efficient methods are required to characterize, identify and manipulate useful properties of genes and genomes to address these challenges. These new methods, collectively termed “genomics,” rely on ever more detailed, accurate, and comprehensive knowledge of genomic organization to efficiently characterize genes and elucidate their function. Increases in ARS and in CSREES under NRI will support both agencies strengthening their programs that will ultimately lead to enhancing the quality and safety of the U.S. food supply and increased agricultural competitiveness in global markets.
- **Protecting agriculture and U.S. trade.** Because of its size, complexity, and integration, U.S. agriculture is uniquely vulnerable to highly infectious disease and pests, particularly foreign diseases. Increases of \$5 million will support research to develop more sensitive and rapid on-site diagnostic tests for pathogens that represent threats by deliberate introduction to both identify and prevent disease outbreak or future spread. This methodology will improve global disease and pest surveillance and will enhance international trade and U.S. food security.
- **Accelerating the development of new markets, and production and commercialization of new uses for agricultural products.** Scientific advances in bioenergy and biobased products research and technology have created enormous potential to enhance U.S. energy security, develop markets for agriculture and forestry products, provide new economic opportunities for rural America, and protect the environment. The budget includes increases of \$9 million for ARS research on converting agricultural waste, byproducts, and feedstocks into energy, biobased products, and biobased fuels.
- **Providing continued support for core university-based research.** The Cooperative State Research, Education, and Extension Service (CSREES) programs provide funding for research and extension activities at the 1862, 1890 historically Black and 1994 Tribal Land-Grant schools and foster interstate cooperation and Federal collaboration in planning and conducting agricultural research and extension. CSREES is the lead Federal agency for linking teaching, research and extension in the food and agricultural sciences. This is accomplished through programs providing funds for the Land-Grant schools, for capacity building at the 1890 colleges, as well as for higher education programs supporting multi-cultural scholars and schools that serve Hispanics, Alaska Natives and Native Hawaiians.
- **Improvement of the Agricultural Resources Management Survey (ARMS).** An increase of \$7.3 million is requested to improve this national survey of farms, which provides data and analysis to characterize the economic conditions and changing structure of the agricultural sector. This data is critical for private industry and Federal Government agencies in the

MISSION AREA HIGHLIGHTS

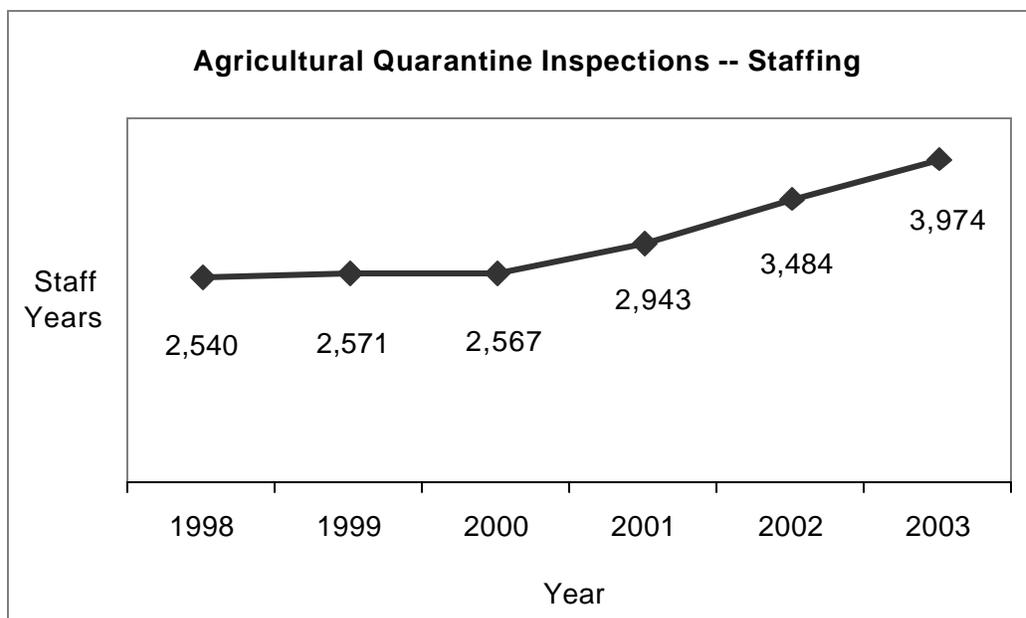
formulation of numerous indices, cost estimates, and farm economic indicators. The increase will be shared by the Economic Research Service (ERS) (\$2.7 million) and the National Agricultural Statistics Service (NASS) (\$4.6 million), and will significantly strengthen the reliability of the data, improve user access to the data, and support research to determine efficiencies for data collection. (See pages 87 and 88.)

- **Preparations for the 2002 Census of Agriculture.** The budget includes an increase of \$15.5 million for NASS. This will support statistical activities associated with preparations for the 2002 Census of Agriculture, which will be mailed in December 2002. This is the fourth and peak year in a five-year funding cycle for the 2002 Census. Preparations include, but are not limited to, labeling and sorting operations for about 3 million mail packages, follow up data collection activities, the processing and analysis of all census records, and purchasing equipment and software to process, retrieve and view scanned questionnaire images. The budget also includes increases for computer security and e-Government data dissemination and reporting (\$3.7 million) and development of an integrated locality based agricultural estimation program (\$1 million). (See page 88.)

AGRICULTURE INFRASTRUCTURE AND HOMELAND SECURITY

The Administration's report, *Food and Agricultural Policy: Taking Stock for the New Century*, recognizes the critical need to invest in the physical and institutional infrastructure that has been a key factor in the overwhelming success of the U.S. food and agricultural system. Agricultural infrastructure includes all of the basic facilities, equipment, services, and institutions needed for the economic growth and efficient functioning of the food and fiber markets. Ensuring the continued strength of this infrastructure requires investment in services to protect farmers, ranchers, and consumers from the threats of crop and animal pests and foodborne diseases. It demands a strong commitment to research and the cooperative extension system that undergird production, marketing, food safety, nutrition, natural resources conservation, and all other functions of USDA agencies. Investments are also needed in the systems to collect, analyze and make available to all participants in the food and agricultural system objective, consistent data and information.

A number of steps have been taken to strengthen the agricultural infrastructure to ensure the Department has the ability to prevent pests and diseases from harming agriculture and the food system. As a result of the devastating outbreak of Foot and Mouth Disease that hit the United Kingdom and other parts of Europe, the Department conducted an intense review of its safeguarding programs. Actions have been taken to increase the number of inspection personnel at U.S. ports of entry by nearly 40 percent and double the number of inspection dog teams from levels two years ago. Additionally, training exercises, as well as more communications and technical assistance, have been conducted and improved to ensure readiness should an animal, pest or food emergency occur. Nearly \$2 million in grants were provided to 32 States during 2001 to help bolster emergency animal disease prevention, preparedness, response, and recovery systems at the local level. These grants augment programs that strengthen training, purchase equipment, test emergency programs and response mechanisms, and examine new technologies to assist in detecting and combating animal diseases. The chart shown below displays the recent and proposed trend in the Agricultural Quarantine Inspection (AQI) staffing level, which provides the front line of defense against the introduction of plant and animal pests and diseases, whether unintentional or by terrorist activity.



AGRICULTURE INFRASTRUCTURE AND HOMELAND SECURITY

The 2003 budget recognizes the critical need for additional safeguards to this infrastructure as key elements in the Department's efforts to strengthen its homeland security activities, as well as other areas. These investments are shown in the table below and described in more detail in the sections that follow.

Protection of Agriculture and the Food Supply

Protection of Agriculture and the Food Supply (Dollars in Millions)

Program	2001 Actual	2002 Current Estimate	2003 Budget
Ongoing Programs:			
APHIS:			
Agricultural Quarantine Inspection.....	\$271	\$328	\$347
Other Pest and Disease Exclusion.....	85	103	132
Plant and Animal Health Monitoring.....	95	95	143
Pest and Disease Management.....	202	235	336
Other APHIS Programs.....	81	86	98
Total, APHIS.....	734	847	1,056
Food Safety and Inspection Service.....	851	877	905
Research Programs.....	369	372	406
Grand Total.....	\$1,954	\$2,096	\$2,367

Animal and crop disease outbreaks, whether naturally occurring or intentionally introduced by terrorists, would have a profound impact on the Nation's infrastructure, economy, and export markets. As with human health and bioterrorism preparedness, enhancing current monitoring and response mechanisms to deal with deliberate acts of biological terrorism will strengthen our ability to quickly diagnose and respond to any animal or plant health crisis or to other threats to the safety of the food supply.

Key programs involved in homeland security and protection of agriculture and the food supply include:

- Roughly 3,500 agricultural quarantine inspectors currently located at U.S. ports of entry to protect American agriculture from the introduction of exotic pests and diseases along with other APHIS plant and animal health exclusion, monitoring and management activities.
- Over 7,600 meat and poultry inspectors at Federally inspected meat and poultry plants and ports of entry.
- Major research programs on emerging and exotic diseases that represent threats from natural as well as introduced sources, food safety and invasive species. The Department has five biocontainment research complexes in Ames, Iowa; Plum Island, New York; Athens, Georgia; Laramie, Wyoming;

AGRICULTURE INFRASTRUCTURE AND HOMELAND SECURITY

and Ft. Detrick, Maryland; where research and diagnostic work is done on organisms that represent serious threats to the crop, livestock, and poultry industries.

The 2003 budget includes increased funding to strengthen key elements in this infrastructure to enhance homeland security and protect agriculture and the food supply. Highlights of these increases include:

- A \$19 million increase in the AQI program for improved point-of-entry inspection programs by providing additional inspectors, expanding canine teams and state-of-the-art high-definition x-ray machines at high risk ports-of-entry on the Canadian and Mexican borders, in Hawaii, and elsewhere.
- A \$5 million increase to strengthen the capability of APHIS to assess and monitor outbreaks of diseases in foreign countries that have the potential to spread to the U.S.
- A \$48 million increase for plant and animal health monitoring to enhance the ability to quickly identify and respond to outbreaks that may occur. While long-standing efforts have kept FMD and BSE out of the United States, funds would also be used to improve the emergency management system which coordinates and implements a quick response to an animal or plant pest or disease outbreak.
- A \$12 million increase for other APHIS programs to expand diagnostic, response, management, and other scientific and technical services.
- A \$28 million increase to provide funding for the Food Safety and Inspection Service (FSIS). The increase will support FSIS food safety activities, including maintaining approximately 7,600 meat, poultry, and egg products inspectors. The proposed increase also includes \$14.5 million to improve the information technology infrastructure to support implementation of improved risk management systems and resource allocation to maximize food safety. An increase of \$2.7 million is included to conduct slaughter epidemiological surveys and risk prevention activities for small and very small establishments. These surveys will generate data that will allow FSIS to more accurately evaluate the effectiveness of inspection strategies to detect animal and disease outbreaks and food safety guidelines to limit the impact of those outbreaks.
- Increases totaling about \$34 million to support research aimed at protecting the Nation's agriculture and food system from attack by animal and plant diseases, insects, and other pests and to reduce the incidence of foodborne illness in humans due to pathogens and other threats to the food supply. Increases for research in these areas will emphasize development of improved detection, identification, diagnostic and vaccination methods to identify and control threats to animal and plant agriculture. Work will focus on the pests and diseases that pose the greatest threat to harm U.S. agriculture, such as foreign animal diseases including foot and mouth disease, exotic plant diseases, and invasive plants and insects. This critical intervention and control research will be conducted by universities and other research entities using funding from competitively awarded grants, as well as by in-house USDA scientists.

AGRICULTURE INFRASTRUCTURE AND HOMELAND SECURITY

In addition to the amounts indicated above, the Secretary also retains authority to use funds of CCC for emergency actions to combat unforeseen outbreaks of pests and diseases which threaten American agriculture. This authority was used to provide \$335 million in emergency funding in 2001 and is expected to provide \$151 million during 2002. In those cases where programs begun with emergency funds have become predictable multi year commitments, funding totaling about \$162 million has been included in the APHIS budget for ongoing programs. This increase is partially offset by decreases in programs such as boll weevil and brucellosis where program successes have been achieved and programs shift toward less expensive monitoring efforts. The budget does not attempt to predict the use of emergency authority in 2003 since by their very nature such emergencies cannot be foreseen.

The Department has established a USDA Homeland Security Council to provide policy oversight and coordinate Department-wide homeland security issues. It also approves budgets and other major commitments, appoints representation to inter-agency groups and tracks USDA progress on high priority homeland security objectives. To accomplish the work of the council, three subcouncils have been established with responsibility for (1) protecting the food supply and agricultural production, (2) protecting USDA facilities and other Infrastructure, and (3) protecting USDA staff and managing emergency preparedness.

The Emergency Supplemental Appropriations for Recovery From and Response to Terrorist Attacks on the United States provided \$328 million of no-year funding to fill gaps in security of facilities and equipment and to begin the increased activities proposed in the 2003 budget. They include:

- Improving the Agricultural Quarantine Inspection and emergency management systems within APHIS and FSIS. These activities would prepare for and respond to natural and intentional terrorist introductions of foreign animal diseases such as Foot and Mouth Disease (FMD) and bovine spongiform encephalopathy (BSE).
- Accelerating construction of the Ames, Iowa research facility, to support ARS animal health research and APHIS diagnostic and vaccine programs, including new permanent accommodations for diagnostic work currently conducted in commercial off-site facilities.
- Upgrading USDA laboratory security, conducting emergency training exercises and improving other operational communication and security equipment to protect against terrorist activity.

Enhancing Other Aspects of the Agricultural Infrastructure

The USDA infrastructure supports efficient production, processing, and distribution of U.S. agriculture that has resulted in abundant, affordable, safe, and nutritious food. For example, the Department's field service centers that provide support to agricultural producers and rural development customers, as well as the State agencies and others USDA works with to distribute food assistance are all part of the infrastructure. It also includes information technologies to facilitate rapid and efficient collection, analysis, use, and dissemination of information, particularly given the new opportunities to provide government services electronically.

AGRICULTURE INFRASTRUCTURE AND HOMELAND SECURITY

The 2003 budget request includes proposals to make investments needed to strengthen the Nation's agricultural infrastructure and improve the Department's management of its delivery of programs. Examples of these investments are summarized below and many others are discussed in other sections of this document.

- Investments are proposed to strengthen the Agricultural Resources Management Survey (ARMS), a widely used data collection and analysis program on farm sector financial conditions and agricultural resource use.
- Funding for the National Research Initiative is doubled, to a total of \$240 million, and increased funding is proposed for development of human capital for the agricultural sector.
- Funding for the Common Computing Environment – a modern information system that will allow the Service Center agencies (FSA, NRCS, Rural Development) to share data – to facilitate efficient delivery of information and services to agricultural producers and rural residents is increased in the budget by \$74 million from the 2002 level, for a total of \$133 million. Included is support for accelerated implementation of geographic information systems which are critical components of improving customer service through e-Government and standard program delivery.
- Significant management improvements are being made in the Department to assure resources that support this infrastructure are used more efficiently. Electronic government will become an option for doing business with USDA over the next few years. A workforce restructuring plan has been developed that will result in significant improvements in the way we deliver services to agricultural producers and rural development customers, and all those that are part of the Forest Service community. The Department is developing a plan for competitively sourcing 15 percent of its commercial activities by the end of 2003 which should result in efficiency gains. A review of the field office structure of the Service Center agencies will be undertaken and a plan developed to consolidate at least an additional 200 offices. A streamlining fund of \$5 million is included to cover the up-front costs associated with implementing streamlining and related improvements. Financial management improvements continue as the new integrated financial system nears completion. The budget proposes \$21 million for the development and implementation of key corporate management information systems to improve financial accountability, computer security and the efficiency of administrative operations.

FARM AND FOREIGN AGRICULTURAL SERVICES

MISSION

The mission of the Farm and Foreign Agricultural Services (FFAS) area is to ensure the well-being of U.S. agriculture through delivery of commodity, credit, conservation, insurance, and export programs. FFAS agencies include the Farm Service Agency (FSA), the Risk Management Agency (RMA), and the Foreign Agricultural Service (FAS). The Commodity Credit Corporation (CCC) is the source of funding for most of the conservation and commodity programs administered by FSA and the export programs administered by FAS.

FARM SERVICE AGENCY (FSA)

**Program Level
(Dollars in Millions)**

Program	2001 Actual	2002 Current Estimate	2003 Budget
Farm Loan and Grant Programs.....	\$3,406	\$4,283	\$3,970
Commodity Programs.....	30,044	22,284	17,208
Conservation and Other Programs.....	1,757	1,817	1,968
Salaries and Expenses.....	1,219	1,295	1,344
Farm Bill Legislation.....	0	4,640	7,825
Total, FSA.....	\$36,426	\$34,319	\$32,315

FARM AND FOREIGN AGRICULTURAL SERVICES

**Farm Service Agency
Farm Loan and Grants Programs
Program Level (P.L.) and Budget Authority (B.A.)
(Dollars in Millions)**

Program	2001 <u>Actual</u>		2002 <u>Current Estimate</u>		2003 <u>Budget</u>	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Farm Operating Loans:						
Guaranteed Unsubsidized.....	\$998	\$14	\$1,519	\$53	\$1,700	\$54
Guaranteed Subsidized.....	464	38	509	69	300	35
Direct.....	690	62	621	55	600	104
Total, Operating Loans.....	2,153	114	2,649	178	2,600	193
Farm Ownership Loans:						
Guaranteed Unsubsidized.....	852	4	1,182	5	1,000	8
Direct.....	163	18	147	4	100	12
Total, Ownership Loans.....	1,016	22	1,329	9	1,100	19
Emergency Loans.....	90	22	200	27	164	28
Indian Land Acquisition Loans.....	1	a/	2	a/	2	a/
Boll Weevil Eradication.....	95	0	100	0	100	0
Texas Boll Weevil Eradication Foundation, Inc. Loan b/.....	10	6	0	0	0	0
Seed Loans b/.....	28	3	0	0	0	0
Apple Loans b/.....	12	1	0	0	0	0
Subtotal, Farm Loan Programs.....	3,403	168	4,280	214	3,966	240
State Mediation Grants.....	3	3	3	3	4	4
Total, Farm Loan and Grants Programs...	\$3,406	\$171	\$4,283	\$217	\$3,970	\$244

a/ Less than \$0.5 million.

b/ ARPA provision.

c/ \$28 million in B.A. for Emergency Loans is expected to carry over into 2003.

The farm credit program provides an important safety net for America's farmers by providing a source of credit when they are temporarily unable to obtain credit from commercial sources. Consistent with the Administration's policies on food and agriculture, the farm credit programs play an important role in enhancing the infrastructure of the food and agricultural system. The 2003 budget supports nearly \$4 billion in direct and guaranteed farm loans. For 2002, a total program level of \$4.3 billion is available. It is assumed that a portion of the budget authority available to support emergency loans in 2002 will carry over into 2003; as a result, an appropriation for emergency loans is not requested in 2003. Increased subsidy costs in 2003, based on actual program experience, have reduced the amount of program that can be supported with the same amount of budget authority allocated to certain programs, in particular, the direct farm ownership and farm operating loan programs.

FARM AND FOREIGN AGRICULTURAL SERVICES

Continuing a trend of the last decade, a higher proportion of borrowers will be served through guaranteed loans rather than direct loans. Guaranteed loans have lower subsidy costs and are serviced by private lenders. Guaranteed farm operating loans are commonly used by private lenders to continue serving borrowers who become higher credit risks due to economic adversity. Guaranteed farm ownership loans are a critical source of credit for some borrowers because they allow real estate equity to be used to restructure short term debt. Emphasis will continue to be placed on providing assistance to socially disadvantaged farmers. As required by statute, a portion of both direct and guaranteed farm operating and ownership loan funds are targeted to socially disadvantaged borrowers based on county level demographic data. Although targets vary by loan program and county, on average about 14 percent of loan funds are targeted to socially disadvantaged borrowers.

For farm operating loans, the 2003 budget provides \$600 million for direct loans and \$2 billion for guaranteed loans. These loan levels will serve an estimated 31,000 farmers, about 14,500 of whom will receive direct loans. The availability of farm operating loans provides farmers with short term credit to finance the costs of continuing or improving their farming operations, such as purchasing seed, fertilizer, livestock, feed, equipment and other supplies.

For farm ownership loans, the 2003 budget provides \$100 million in direct loans and \$1 billion for guaranteed loans. The 2003 levels will provide almost 5,500 people with the opportunity to either acquire their own farm or save an existing one. About 1,000 borrowers would receive direct loans and 4,500 would receive guaranteed loans.

The 2003 budget also provides funding for Indian land acquisition loans and the Boll Weevil Eradication Loan Program.

Funding for State Mediation Grants would be increased to \$4 million. Mediation benefits family farmers, including many low-income and socially disadvantaged farmers, who, because of mediation, are often able to resolve credit and other issues and remain on the farm.

FARM AND FOREIGN AGRICULTURAL SERVICES

Farm Service Agency Commodity Credit Corporation (Dollars in Millions)

Program	Program Levels			Net Outlays		
	FY 2001	FY 2002	FY 2003	FY 2001	FY 2002	FY 2003
Commodity Programs:						
Price Support and Marketing						
Assistance Loans.....	\$8,267	\$10,624	\$8,844	\$3,189	\$5,303	\$3,741
Production Flexibility Contracts.....	4,105	3,962	3,980	4,105	3,962	3,980
Loan Deficiency Payments.....	5,293	5,201	2,918	5,293	5,201	2,918
Noninsured Assistance Payments.....	64	156	199	64	156	199
Farm Storage Facility Loans.....	81	125	125	2	3	2
Cotton User Marketing Payments	237	87	4	237	87	4
Other Direct Payments.....	922	14	2	922	14	2
Purchases and Sales.....	1,251	1,142	527	-1,389	-1,634	-2,569
Market Loss Assistance Payments.....	5,455	113	0	5,455	113	0
Disaster Assistance.....	3,146	133	0	3,146	133	0
Interest Expenditures.....	569	296	352	428	228	228
Other.....	654	431	257	294	605	426
Total, Commodity Programs.....	30,044	22,284	17,208	21,746	14,171	8,931
Conservation Programs:						
CRP Program Payments.....	1,655	1,817	1,856	1,658	1,821	1,856
Environmental Quality Incentives.....	163	200	200	133	139	190
Wetlands Reserve Program.....	182	0	0	144	115	57
Other Conservation Programs.....	60	1	63	11	33	16
Total, Conservation Programs.....	2,060	2,018	2,119	1,946	2,108	2,119
Export Programs:						
Export Credit.....	3,227	3,926	4,225	-1,783	400	270
Market Access Program.....	90	90	90	96	90	90
Foreign Market Development (Cooperator) Program.....	28	28	28	30	28	28
Quality Samples Program.....	1	2	2	1	2	2
Export Enhancement Program.....	7	478	478	5	478	478
Dairy Export Incentive Program.....	8	61	63	25	39	62
Food for Progress Program.....	104	109	0	102	215	0
Section 416(b) Donations a/.....	469	290	7 b/	339	290	8
Other.....	23	20	20	15	14	21
Total, Export Programs.....	3,957	5,004	4,913	-1,170	1,556	959
Subtotal, CCC.....	36,061	29,306	24,240	22,522	17,835	12,009
Pre-credit Reform Loan Repayments.....	0	0	0	-423	-393	-384
Total, CCC Baseline.....	36,061	29,306	24,240	22,099	17,442	11,625
Farm Bill Legislation.....	0	4,640	7,825	0	4,200	7,271
Total, CCC.....	\$36,061	\$33,946	\$32,065	\$22,099	\$21,642	\$18,896

a/ Ocean freight and overseas distribution costs.

b/ Estimated level of Section 416(b) programming is based on current projections of uncommitted CCC inventory.

FARM AND FOREIGN AGRICULTURAL SERVICES

The Commodity Credit Corporation (CCC) provides funding for commodity programs administered by FSA, conservation programs administered by FSA and NRCS, and export programs administered by FAS. CCC borrows funds needed to finance these programs from the U.S. Treasury and repays the borrowings, with interest, from receipts and from appropriations provided by Congress.

Changes over the last decade in commodity, disaster, and conservation programs have dramatically changed the level, mix, and variability of CCC outlays. CCC net outlays increased from \$19.2 billion in 1999 to a record high of \$32.3 billion in 2000 and then declined to \$22.1 billion in 2001. The high levels of spending between 1999 and 2001 are largely accounted for by higher marketing assistance loan program outlays associated with low market prices and by emergency spending authorized in the enacted appropriations for 2000 and 2001 and by the Agricultural Risk Protection Act of 2000 (ARPA). Outlays for emergency spending authorized in the appropriations acts and ARPA totaled over \$5 billion in 1999, about \$14 billion in 2000, and over \$10 billion in 2001. CCC outlays are projected to decline under current law to about \$17 billion in 2002 and \$12 billion in 2003, largely due to the fact that no emergency supplemental assistance has been authorized for 2002, except for about \$100 million in special assistance provided in the 2002 Agriculture Appropriations Act for apple producers and other minor programs. Also, no farm bill has yet been enacted to augment farm assistance in 2002 and beyond.

The President's budget, however, does provide for increased funding for CCC and other mandatory spending totaling \$73.5 billion over the 2002-2011 period to support a new farm bill to be enacted in 2002. Timely enactment of a new farm bill could raise CCC net outlays to over the \$17.4 billion estimated in 2002 and roughly \$11.6 billion in 2003 depending on the provisions and timing of the bill.

Conservation programs represent the third largest major component of CCC in terms of program level and the second largest in terms of net outlays. The 1996 Farm Bill authorized CCC funding for the Conservation Reserve Program (CRP) administered by FSA and the Wetlands Reserve Program (WRP) and several other conservation programs administered by NRCS. The Environmental Quality Incentives Program (EQIP) gives producers incentives to address natural resource concerns. The Farmland Protection Program (FPP) provides for the purchase of easements limiting nonagricultural uses on prime and unique farmland, protecting it from development.

FARM AND FOREIGN AGRICULTURAL SERVICES

Farm Service Agency Commodity Program Outlays (Dollars in Millions)

Program	2001 Actual	2002 Current Estimate	2003 Budget
Commodity:			
Feed Grains.....	\$7,035	\$3,570	\$2,098
Wheat.....	2,922	1,383	1,053
Rice.....	1,423	1,058	1,029
Upland Cotton.....	1,868	3,657	1,729
Tobacco.....	386	-95	-96
Dairy.....	1,140	57	48
Soybeans and Products.....	3,322	3,439	2,352
Minor Oilseeds.....	248	170	125
Peanuts.....	136	-17	0
Sugar.....	30	-296	-44
Honey.....	23	-3	0
Wool and Mohair.....	38	-1	0
Other Crops.....	295	348	-6
Subtotal.....	18,866	13,270	8,288
Disaster Assistance.....	3,146	133	0
Other a/.....	-266	768	643
Total, Commodity Programs.....	\$21,746	\$14,171	\$8,931

a/ Includes working capital interest and operating expenses, reimbursable agreements, equipment, and an adjustment for Food for Progress commodity purchases.

Commodity loan and income support programs are administered by FSA and financed through CCC. These programs constitute the majority of CCC outlays. The commodity programs were changed dramatically by provisions of the 1996 Farm Bill. In the past, deficiency payments for producers of feed grains, wheat, upland cotton and rice (contract commodities) were tied to market prices and decreased when market prices were high and increased when market prices were low. The 1996 Farm Bill replaced deficiency payments with fixed production flexibility contract payments. The production flexibility contract payments, based on historical program acreage and yields, are set by law for each of the 7 years from 1996-2002, and do not vary with market prices or current plantings. About 98 percent of the eligible crop acreage base has been enrolled in production flexibility contracts.

The CCC marketing assistance loan programs for contract commodities and oilseeds have provided producers with protection against sharp declines in market prices over the past 4 years. Marketing assistance loan placements doubled between 1997 and 2000 and have remained at relatively high levels since. Marketing loan gains and loan deficiency payments increased from negligible levels in 1997 to \$8 billion in 2000 and were near \$7 billion in 2001. Projected levels total over \$7 billion in 2002 and over \$4 billion for 2003. Projected commodity prices, while improving for some commodities, have declined

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for other commodities such as soybeans and upland cotton, and thus, estimated outlays for marketing assistance loans and loan deficiency payments are only slightly lower in 2002 and 2003.

In total, CCC outlays for commodity and related market support programs are projected to be lower in 2002 and 2003 under current law due to the fact that no emergency assistance or new farm legislation has been enacted. Outlays for ongoing programs are only modestly lower. Dairy program outlays are projected to decline in 2002 in part due to the expiration of the price support program during calendar year 2002. Some commodity support activities such as the tobacco program are projected to show little or no net outlays or even small net receipts in 2002 due to repayment of price support loans and/or collection of assessments from producers as required by the 1996 Act.

The President's budget, however, proposes to make available additional funding of \$73.5 billion over the 2002-2011 period to support development of a new farm bill to replace the expiring 1996 Act. About \$69 billion of this total is anticipated to be made available for CCC funded programs including farm commodity and income support, conservation, export and related programs. The funding total for the new farm bill also will accommodate increased funding to support the Administration's proposals for the Food Stamp Program and the cost of farm savings accounts to provide incentives for producers to better manage the financial risks of year-to-year income fluctuations.

The Conservation Reserve Program, a CCC program, is administered by FSA in addition to the Emergency Conservation Program. All other cost-share and easement conservation programs such as the

**Farm Service Agency
Conservation and Other Programs
Program Level
(Dollars in Millions)**

Program	2001 Actual	2002 Current Estimate	2003 Budget
Conservation Reserve Program.....	\$1,655	\$1,817	\$1,856
Other Conservation Programs.....	22	0	63
Emergency Conservation Program.....	80	0	49
Total, Conservation Programs.....	\$1,757	\$1,817	\$1,968

Environmental Quality Incentives Program, Wetlands Reserve Program, Conservation Farm Option Program, Farmland Protection Program, Wildlife Habitat Incentives Program, and Soil and Water Conservation Assistance Program are administered by the Natural Resources Conservation Service. However, FSA assists NRCS with EQIP program policy and procedures development, and implementing administrative processes and procedures for contracting, financial reporting, and other financial operations.

Conservation Reserve Program (CRP). CRP is USDA's largest conservation/environmental program. The purpose of CRP is to assist farm owners and operators in conserving and improving soil, water, air, and wildlife resources by retiring environmentally sensitive land from agricultural production and keeping

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it under long-term resource-conserving cover. CRP participants enroll acreage for periods of 10 to 15 years in return for annual rental payments and cost-share and technical assistance for installing approved conservation practices. New signups are authorized through December 31, 2002, with a maximum cumulative enrollment cap of 36.4 million acres.

Acreage that counts toward the total enrollment cap includes acres enrolled in the CRP through scheduled general signups and those enrolled through a continuous, noncompetitive signup that has been underway since September 1996 with the purpose of enrolling land in filter strips, riparian buffers, and similar conservation practices. Continuous signup acreage also includes enrollment under the Conservation Reserve Enhancement Program (CREP) that is designed to target program benefits to address specific local and regional conservation problems. At this time, 20 States have approved CREP agreements and another 5 States have CREP proposals pending. Finally, the 2001 Agriculture Appropriations Act authorized the Secretary to enroll 500,000 acres during 2001 and 2002 in a Farmable Wetlands Pilot Program, and these acres will also count toward the cap. As of November 5, 2001, there were about 35.1 million total acres enrolled in the CRP.

Emergency Conservation Program (ECP). Under this program, the Department shares the cost of carrying out practices to assist and encourage farmers to rehabilitate farmland damaged by natural disasters. In particular, it addresses those problems which if left untreated would: (1) impair or endanger the land; (2) materially affect the productive capacity of the land; (3) be so costly to rehabilitate that Federal assistance would be required to return the land to productive agricultural use; and (4) represent damage that is unusual and would not recur frequently in the same area. For the past several years, this program has been funded through emergency supplemental appropriations. A total of \$60 million was appropriated in 2000 and \$80 million in 2001. The budget proposes funding of \$48.7 million, the ten year average, for the ECP in 2003, to assure the ready availability of funds to meet emergency needs as they occur so that delay associated with supplemental appropriations can be avoided.

Salaries and Expenses. Supplemental appropriations in 2001 and 2002 have allowed FSA to employ additional temporary staff to meet heavy workload needs in the field arising from the additional emergency payments. The 2003 budget proposes a level of \$1.3 billion to support a ceiling of 5,806 Federal staff years and 11,251 non-Federal staff years. Non-Federal county staff years will be maintained at the 2002 level of 11,251 because the temporary staff years needed to carry out programs for crop and market loss assistance are expected to be needed to continue delivery of similar levels of program support activity. Permanent non-Federal county staff years are estimated to remain the same in 2002 and 2003 at 9,259. Funding for IT modernization and related Geospatial Information Systems (GIS) initiatives has been provided in the Common Computing Environment account of the Office of the Chief Information Officer. The development of modern digitized databases with common land unit information integrated with soils and crop data and other farm records and related initiatives is critical to the development of more efficient and effective customer services at our Service Centers and will greatly facilitate realization of the potential benefits from electronic (e) Government. The Administration expects significant long-term savings and improved services to clientele to result from improvements made in the information technology services and GIS systems, as well as in the administrative support services of the three county-based agencies (the Farm Service Agency, the Natural Resources Conservation Service, and the Rural Development). The

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Department also will review the field office structure for streamlining opportunities to reduce costs and improve service.

Farm Service Agency Staff Years

Program	2001 Actual	2002 Current Estimate	2003 Budget
Federal.....	5,806	5,806	5,806
Non-Federal:			
Permanent Full-Time.....	9,259	9,259	9,259
Temporary.....	1,992	1,992	1,992
Total, Non-Federal.....	11,251	11,251	11,251
Total, FSA Staff Years.....	17,057	17,057	17,057

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RISK MANAGEMENT AGENCY (RMA)

Crop Insurance Program Program Level (Dollars in Millions)

Program	2001 Actual	2002 Current Estimate	2003 Budget
Net Indemnities to Producers:			
Gross Indemnities.....	\$3,279	\$3,023	\$2,988
Producer-Paid Premium.....	-1,079	-1,133	-1,118
Total, Net Indemnities.....	2,200	1,890	1,870
Administrative/Delivery and Other			
Expenses.....	1,004	1,145	1,146
Proposal to Cap Underwriting Gains.....	0	0	-115
Total Government Costs.....	3,204	3,035	2,901
FUNDING SOURCE DETAIL:			
Delivery and Other Administrative Expenses a/.....	672	698	706
Gross Indemnities.....	3,279	3,023	2,988
Underwriting Gains.....	261	367	364
Proposal to Cap Underwriting Gains.....	0	0	-115
Subtotal, Crop Insurance Program Level.....	4,212	4,088	3,943
Administrative and Operating Expenses.....	71	80	76
Total Program Level.....	4,283	4,168	4,019
Less: Producer Premium.....	-1,079	-1,133	-1,118
Total, Government Costs.....	\$3,204	\$3,035	\$2,901
Loss Ratio b/.....	1.075	1.075	1.075

a/ Includes reimbursements to private companies and certain costs for research, development and other activities authorized by ARPA.

b/ Estimated.

The primary responsibility of the RMA is to administer the Crop Insurance Program. The program provides an important safety net by protecting producers against a wide range of environmental risks as well as the risk of price fluctuations. The program is expected to provide over \$34 billion in risk protection on about 208 million acres in 2003. This represents about 77 percent of the Nation's acres planted to principal crops. Participation in the Crop Insurance Program by producers is voluntary, however, participation is encouraged through premium subsidies.

Crop insurance is delivered to producers through private insurance companies that share in the risk of loss. The companies are reimbursed for their delivery expenses and receive underwriting gains in years of favorable loss experience.

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The 2003 budget requests “such sums as necessary” for the mandatory costs associated with the Crop Insurance Program, including premium subsidies, indemnity payments (in excess of premiums), underwriting gains paid to private companies, reimbursements to private companies for delivery expenses and other authorized expenditures. Mandatory costs to the government for 2003 are estimated to be about \$2.9 billion. In addition, producers are expected to pay about \$1.1 billion in premiums. As a result of the premium subsidies provided by the Federal Government, participation in the Crop Insurance Program has increased significantly and participants are purchasing higher levels of coverage. Consequently, the crop insurance companies have experienced a windfall. In recent years, underwriting gains have increased about 400 percent from the levels seen in the early 1990's. Therefore, included in the 2003 budget request is a proposal to cap underwriting gains at 12.5 percent of the retained premium. This proposal is expected to save about \$115 million in 2003.

Discretionary costs for the Crop Insurance Program cover Federal salaries and related expenses. The 2003 budget includes about \$76 million for these costs, compared to about \$80 million appropriated for 2002. The decrease reflects a savings of \$5.5 million for deletion of one-time projects and increases of \$1.4 million for pay increases.

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FOREIGN AGRICULTURAL SERVICE (FAS)

International Programs and Activities Program Level (Dollars in Millions)

Program	2001 Actual	2002 Current Estimate	2003 Budget
CCC Export Credit Guarantees:			
Short-term Guarantees (GSM-102).....	\$2,959	\$3,358	\$3,358
Intermediate-term Guarantees (GSM-103).....	42	57	57
Supplier Credit Guarantees.....	226	451	750
Facilities Financing Guarantees.....	0	60	60
Total, Export Credit Guarantees.....	3,227	3,926	4,225
Market Development Programs:			
Market Access Program.....	90	90	90
Foreign Market Development (Cooperator) Program.....	28	28	28
Quality Samples Program.....	1	2	2
Total, Market Development Programs.....	119	120	120
Export Subsidy Programs:			
Export Enhancement Program.....	7	478	478
Dairy Export Incentive Program.....	8	61	63
Total, Export Subsidy Programs.....	15	539	541
Foreign Food Assistance:			
Public Law 480.....	1,086	1,214	1,345
Food For Progress a/.....	104	109	0
Section 416(b) Donations:			
Ocean Freight and Overseas Distribution Costs..	469	290	7 ^{b/}
Value of Commodities.....	(634)	(360)	(50)
Total, Foreign Food Assistance.....	1,659	1,613	1,352
FAS Salaries and Expenses	201	198	208
Total, International Programs.....	\$5,221	\$6,396	\$6,446

a/ Includes only that portion of Food for Progress programming supported by CCC funds.

b/ Estimated level of Section 416(b) programming is based on current projections of uncommitted CCC commodity inventory.

FAS administers a variety of programs designed to promote U.S. agricultural exports, develop long-term markets overseas, and improve world food security. These activities are consistent with a primary tenet of the Administration's review of the U.S. food and agriculture system in the 21st century, which highlights

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the critical importance of the global marketplace and trade expansion for the long-term health and prosperity of the agricultural sector. With 96 percent of the world's population living outside the United States, future growth in demand for food and agricultural products will occur primarily in overseas markets. The Administration's report, *Food and Agricultural Policy: Taking Stock for the New Century*, makes clear that enhancing the competitiveness of U.S. food and agriculture in global markets must be one of the primary objectives of U.S. farm policy. To achieve that goal, the proper program tools must be provided so that American producers and exporters can capture the benefits of expanding overseas markets. FAS' international activities play a critical role in helping to open new markets and in facilitating U.S. competitiveness and, by doing so, help to ensure the future growth and development of American agriculture.

CCC Export Credit Guarantee Programs. Under these programs, CCC provides payment guarantees for the commercial financing of U.S. agricultural exports. These programs facilitate exports to buyers in countries where credit is necessary to maintain or increase U.S. sales, but where financing may not be available without CCC guarantees.

The budget includes an overall program level of \$4.2 billion for CCC export credit guarantees in 2003, an increase of \$300 million above the current estimate for 2002. These estimates reflect the levels of sales expected to be registered under the export credit guarantee programs. However, the actual levels of programming are likely to vary from these estimates, depending upon program demand, market conditions, and other relevant factors during the course of the year.

Of the total program level for export credit guarantees expected to be issued by CCC in 2003, nearly \$3.4 billion will be made available under the GSM-102 program, which provides guarantees on commercial export credit extended with short-term repayment terms (up to 3 years), and \$57 million will be made available under the GSM-103 program, which provides intermediate-term credit guarantees (3 to 10 year repayment terms).

For supplier credit guarantees, the budget includes an estimated program level of \$750 million for 2003. Under this credit activity, CCC guarantees payments due from importers under short-term financing (up to 180 days) that exporters extend directly to the importers for the purchase of U.S. agricultural products. This credit activity is particularly useful in facilitating sales of high value agricultural products. Sales registrations under the supplier credit guarantee program have been growing rapidly in recent years, with sales registrations in 2001 nearly double the previous year's level. Strong program growth is expected to continue in 2002 and 2003.

The budget also includes an estimated program level of \$60 million for facility financing guarantees in 2003. Under this activity, CCC provides guarantees to facilitate the financing of goods and services exported from the United States to improve or establish agriculture-related facilities in emerging markets. By supporting such facilities, these guarantees enhance sales of U.S. agricultural products to countries where demand is constricted due to inadequate storage, processing, or handling capabilities.

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Market Development Programs. FAS administers a number of programs which support the development, maintenance, and expansion of commercial export markets for U.S. agricultural commodities and products. Under the Market Access Program (MAP), CCC funds are used to reimburse participating organizations for a portion of the costs of carrying out overseas marketing and promotional activities, such as direct consumer promotions. Historically, more than 80 percent of MAP funding has been devoted to building export markets for high value products, the fastest growing component of U.S. agricultural exports. MAP participants include nonprofit agricultural trade organizations, State-regional trade groups, cooperatives, and private companies which qualify as small business concerns. The budget provides funding of \$90 million for MAP in 2003, unchanged from the 2002 level.

Under the Foreign Market Development (Cooperator) Program, cost-share assistance is provided to nonprofit commodity and agricultural trade associations to support overseas market development activities that are designed to remove long-term impediments to increased U.S. trade. These activities include technical assistance, trade servicing, and market research. Unlike MAP, Cooperator Program activities are carried out on a generic commodity basis and do not include brand-name or consumer promotions. For 2003, the budget provides funding of \$27.5 million for the Cooperator Program, unchanged from the 2002 level.

The budget also continues funding for the Quality Samples Program (QSP) which was implemented during 2000. Under the program, CCC provides funding to assist private entities to furnish samples of U.S. agricultural products to foreign importers in order to overcome trade and marketing obstacles. The program provides foreign importers with a better understanding and appreciation of the characteristics of U.S. agricultural products. For 2003, the budget continues CCC funding for the QSP at the 2002 level of \$2.5 million.

Export Subsidy Programs. The Department currently has two export subsidy programs: the Export Enhancement Program (EEP) and Dairy Export Incentive Program (DEIP). Under these programs, bonus payments are made available to exporters of U.S. agricultural commodities to enable them to be price competitive and thereby make sales in targeted overseas markets where competitor countries are making subsidized sales.

EEP programming has been limited in recent years due to world supply and demand conditions; nevertheless, the budget includes funding for the program and the awarding of bonuses can be resumed whenever market conditions warrant. For 2003, the budget provides a program level of \$478 million for EEP, unchanged from 2002 and the maximum allowable level under the Uruguay Round export subsidy reduction commitments.

For DEIP, the budget assumes a program level of \$63 million for 2003, slightly higher than the current estimate for 2002 of \$61 million. The Uruguay Round subsidy reduction commitments for dairy products are now fully phased in. For those products announced under annual DEIP allocations, the CCC baseline assumes programming at the Uruguay Round maximum quantity limits. The estimated program level for DEIP is an estimate of the level of subsidy funding needed to facilitate export sales at the quantity limits.

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The program level may increase or decrease from the projected level depending upon the relationship between U.S. and world market prices during the course of the programming year.

The United States is the world's leader in international food aid, providing over 50 percent of total worldwide assistance. As noted in the Administration's report on U.S. agriculture for the 21st century, the United States is pivotal in the international food aid system, not only for the level of assistance provided,

Foreign Agricultural Service Public Law 480 Food Assistance Programs Program and Tonnage Levels

Program	2001 Actual	2002 Current Estimate	2003 Budget
Title I Credit Sales:			
Dollars in Millions.....	\$214	\$175	\$160
Million Metric Tons Grain Equivalent.....	1.1	0.8	0.7
Title II Donations:			
Dollars in Millions.....	872	1,039 a/	1,185
Million Metric Tons Grain Equivalent.....	2.4	2.7	3.0
Total, P.L. 480 Programs:			
Dollars in Millions.....	\$1,086	\$1,214	\$1,345
Million Metric Tons Grain Equivalent.....	3.5	3.5	3.7

a/ Includes \$95 million of funding provided through emergency supplemental appropriations and \$94 million of prior year carryover funding.

but also for the influence of U.S. efforts on other donors and the system itself. U.S. foreign food assistance is provided through a variety of statutory authorities and programs:

Public Law 480 (P.L. 480). Assistance provided under the authority of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 83- 480) is the primary means by which the United States provides foreign food assistance. P.L. 480 has three primary components.

- **Title I** provides for sales of U.S. agricultural commodities on concessional credit terms to governments and private entities in developing countries. In allocating assistance under the Title I program, priority is given to agreements that provide for the export of U.S. agricultural commodities to those developing countries which have demonstrated the potential to become commercial markets, are undertaking measures to improve their food security and agricultural development, and demonstrate the greatest need for food. The Title I program is administered by FAS.

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- **Title II** provides for donations of humanitarian food assistance to needy people in foreign countries in response to malnutrition, famine, and other extraordinary relief requirements and to meet economic development needs. The assistance is provided primarily through private voluntary organizations, cooperatives, or international organizations, primarily the World Food Program of the United Nations. In the case of donations made in response to emergency needs, Title II assistance can also be provided through government-to-government agreements. The Title II program is administered by the Agency for International Development (AID).
- **Title III** provides food assistance on a grant basis to least developed countries through government-to-government agreements. The donated commodities may be sold in the domestic market of the recipient countries, and the revenue generated from the sale is used to support programs of economic development. The Title III program is also administered by AID.

Food for Progress. The Food for Progress Act of 1985 authorizes U.S. agricultural commodities to be provided to developing countries and emerging democracies that have made commitments to introduce and expand free enterprise in their agricultural economies. Food for Progress agreements can be entered into with foreign governments, private voluntary agencies, nonprofit agricultural organizations, cooperatives, or intergovernmental organizations. Agreements may provide for the commodities to be supplied on either long-term credit or grant terms. P.L. 480 Title I funds may be used for the procurement and transportation costs of the commodities. Alternatively, either CCC-owned commodities may be made available or CCC may purchase commodities if not in its inventory, with transportation and other non-commodity expenses paid with CCC funds. The Food for Progress program is administered by FAS.

Section 416(b) Donations. Section 416(b) of the Agricultural Act of 1949 authorizes the donation of surplus CCC-owned commodities in order to carry out programs of assistance in developing countries and friendly countries. Commodities eligible for donation include those that have been acquired by CCC through price support operations, surplus crop removal purchases, or otherwise acquired by CCC in the normal course of its operations and which are excess to domestic program requirements. The commodities are made available for donation through agreements with foreign governments, private voluntary organizations and cooperatives, and the World Food Program. Section 416(b) programming is carried out by FAS.

During the past year, the Administration has carried out a management review of all U.S. foreign food assistance activities in order to rationalize and reform their administration and to strengthen their effectiveness. An underlying consideration in undertaking the review was concern that the number of U.S. food aid programs and the number of agencies involved in administering them inevitably results in an overlap of functions and inefficiencies. Another major consideration was recognition that future food assistance activities should be placed on a more solid foundation by reducing reliance on the availability of surplus U.S. commodities. Although the availability of surpluses has facilitated a large expansion of donations under section 416(b) authority since 1998, there is no assurance of similar surpluses in future years, which creates uncertainties among both recipient countries and distributing agencies.

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Among the primary conclusions of the review are the following:

- The Administration reaffirms its commitment to continued U.S. leadership in providing international food assistance and recognizes the importance of that assistance for meeting U.S. humanitarian and global food security objectives.
- The Administration intends to reduce the number of programs through which assistance is provided and to redefine roles to eliminate overlap. As a result, USDA will continue to carry out government-to-government programs, while AID will assume responsibility for all programs carried out in cooperation with private voluntary organizations, cooperatives, and the World Food Program.
- The Administration will reduce the reliance of food aid activities on the year-to-year availability of surplus U.S. commodities. Accordingly, section 416(b) donations that rely on the purchase of surplus commodities by CCC will be phased out by 2003, while funding for donations under P.L. 480 Title II will be increased.

The results of the Administration's review are reflected in the 2003 budget and program proposals.

The budget includes a total program level for P.L. 480 food assistance of over \$1.34 billion, which is expected to support 3.7 million metric tons of commodity assistance to developing countries. For Title I credit sales, the budget provides a program level of \$160 million, the same level requested in last year's budget but somewhat below the 2002 enacted level. Title I programming at the requested level is expected to support about 700,000 metric tons of commodity assistance.

For Title II donations, the budget proposes a major increase in funding. A program level of \$1.18 billion is provided, which is \$350 million above the level requested in last year's budget. It is also \$146 million above the current estimate for 2002, which has been increased as a result of funding provided through emergency supplemental appropriations and funding carried over from prior years. The proposed Title II program level is expected to support 3 million metric tons of commodity donations.

As in recent budget submissions, no specific level of funding is requested for Title III grants; however, current authorities provide that up to 15 percent of the funds of any title of P.L. 480 may be transferred to carry out any other title. This authority provides flexibility for program managers to determine the appropriate level of resources for the individual P.L. 480 programs and thereby enhances the U.S. response to changing world food needs.

In accordance with the results of the Administration's food aid review, Food for Progress programming in 2003 will be limited to government-to-government programs funded through P.L. 480 Title I. CCC-funded Food for Progress programs that traditionally have been carried out through private voluntary organizations and cooperatives will not be funded as those types of programs will be the exclusive responsibility of AID. During 2002, CCC funding for Food for Progress programming is currently expected to total \$109 million.

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As previously noted, donations of commodities under section 416(b) authority that rely on the purchase of surplus commodities by CCC will not be continued in 2003. However, commodities that are acquired by CCC in the normal course of its domestic support operations will be available for donation through government-to-government agreements. For 2003, current CCC baseline estimates project the availability of a limited supply of surplus nonfat dry milk that could be made available for programming under section 416(b) authority.

Decisions on the level of section 416(b) programming during the current fiscal year have not been completed. However, CCC baseline estimates assume a program level of approximately \$650 million. This consists of approximately \$250 million of programming carried over from 2001 and \$400 million of new programming. The baseline estimates project total commodity programming of just over 1.6 million metric tons during 2002, with a commodity value of \$360 million. Ocean freight and overseas distribution costs are estimated to total \$290 million.

During 2001, section 416(b) authority was used to support the Global Food for Education (GFE) initiative. Under the initiative, commodities are being provided to support school feeding programs in developing countries with the objectives of reducing hunger, improving health, and promoting school enrollment, attendance, and performance. Total costs of the pilot project are now estimated at \$230 million. Although implementation of the GFE initiative began during 2001, many of its individual country programs are continuing and will be completed during the current fiscal year. A decision on whether to continue the GFE initiative will not be made until the results of the pilot program are evaluated, and specific funding for its continuation is not provided in the 2003 budget.

Finally, the 2003 budget proposes a change in the financing mechanism for the costs of meeting U.S. cargo preference requirements under the foreign food assistance programs. Cargo preference provisions require that 75 percent of all U.S. food aid commodities be shipped on U.S. flag vessels when they are available at fair and reasonable rates. The Administration is proposing no change in the 75 percent U.S. flag vessel requirement. However, at present the Maritime Administration reimburses the P.L. 480 program or, in the case of section 416(b) and Food for Progress donations, CCC for one-third of the costs of complying with cargo preference requirements. The budget proposes to eliminate Maritime Administration reimbursements and fund the full costs of cargo preference through the food aid programs themselves. This will eliminate a duplicative financing system and reduce record-keeping, although the Maritime Administration will continue to assist FAS and AID in ensuring compliance with cargo preference requirements. The 2003 budget includes \$45 million in the P.L. 480 budget request to offset the elimination of Maritime Administration reimbursements.

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Foreign Agricultural Service Salaries and Expenses (Dollars in Millions)

Program	2001 Actual	2002 Current Estimate	2003 Budget
Market Access.....	\$29	\$31	\$33
Market Development, Promotion, and Outreach.....	34	35	37
Market Intelligence.....	26	29	31
Financial Marketing Assistance.....	10	10	11
Long-term Market and Infrastructure Development.....	25	25	28
Total, Appropriated Programs.....	124	130	140
Emerging Markets Program Funded by CCC.....	10	10	10
CCC Computer Facility and Other IRM Costs Funded by CCC.....	10	10	10
Overseas monitoring of Global Food for Education Initiative.....	3	0	0
Development Assistance Programs Funded by AID and Other Organizations.....	52	45	45
Other Reimbursable Agreements.....	2	3	3
Total, Reimbursable Program Activity.....	77	68	68
Total, FAS Program Level.....	\$201	\$198	\$208

FAS is the lead agency in the Department's international activities. Its work in reducing foreign trade barriers and developing new markets overseas supports the trade expansion goals set forth in the Administration's report on U.S. agriculture in the 21st century. FAS carries out its mission on a worldwide basis through the following activities:

- **Market Access** -- international trade policy formulation, negotiation and monitoring activities designed to reduce foreign trade barriers and increase market access for U.S. agricultural products.
- **Market Development, Promotion, and Outreach** -- activities designed to increase domestic awareness of export opportunities, facilitate export readiness, and link export-ready and new-to-export firms to market entry opportunities; and activities designed to create demand for U.S. agricultural products in foreign markets, including the Cooperator Program, MAP, and food and agricultural trade shows.
- **Market Intelligence** -- market intelligence and reporting activities which provide U.S. producers, exporters, and government officials with information and analysis of world agricultural production and trade, as well as reporting on and addressing foreign government policies and issues that affect the competitiveness of U.S. agricultural exports.

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- **Financial Marketing Assistance** -- administration of the Department's major commercial export programs, including the CCC export credit guarantee and export subsidy programs, which enhance U.S. competitiveness in the global marketplace.
- **Long-Term Market and Infrastructure Development** -- administration of foreign food assistance programs and international cooperation and development activities, including scientific and technical exchanges, cooperative research, liaison with international food and agricultural organizations, and agricultural technical assistance and training, including the Cochran Fellowship Program.

The budget includes appropriated funding of \$140 million for FAS in 2003, an increase of nearly \$10 million above the 2002 level. Last year's budget provided increased funding to bolster the agency's market intelligence capabilities at its overseas posts and its activities in addressing and resolving technical trade issues. The 2003 budget builds on last year's proposals by providing increased funding for much-needed improvements in the agency's infrastructure to ensure effective implementation of its programs.

Included in the FAS proposals is increased funding of \$6 million to support a comprehensive e-Government initiative designed to modernize FAS business practices and operations and thereby ensure compliance with statutory requirements for electronic business transactions and record-keeping. This initiative consists of three primary components: (1) establishment of a replacement cycle for mission-critical computer hardware and software; (2) e-Government related business process re-engineering, training, and software development; and (3) expansion of telecommunications bandwidth at the agency's overseas offices in order to facilitate work performance in the new Internet-oriented work environment.

An increase of \$250,000 is provided to develop a plan to establish a standardized information system for all U.S. foreign food aid programs that will be accessible via the Internet to administering agencies, vendors, and grantees. The system will facilitate the distribution of information on U.S. food aid activities and operations, as well as improve program administration and execution. FAS will work to develop this system with FSA, AID, and the Maritime Administration.

The budget also provides an increase of \$1 million for the Cochran Fellowship Program. The program provides training in U.S. agricultural practices and policies for both private and public sector agricultural officials from emerging market and middle-income countries. As noted in the Administration's report on agriculture in the 21st century, most future growth in food demand is expected to occur in those countries because of the relatively rapid expansion in their populations and income. The requested funding increase is expected to support 150 additional participants in the program and help to achieve the agency's goal of providing training to 1,000 participants annually. The additional programming will focus on several important topics, including biotechnology, food safety, World Trade Organization accession requirements, and the quality and marketing of U.S. high value agricultural products.

In addition, the budget includes an estimated \$68 million in funding to be made available to FAS through reimbursable agreements. The largest component of this is funding for technical assistance, training, and research activities which FAS carries out overseas on behalf of AID, foreign governments, and international

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organizations. It also includes funding made available by CCC for the Emerging Markets Program. This program supports technical assistance and related activities in order to further U.S. market development objectives in promising overseas growth markets.

RURAL DEVELOPMENT

MISSION

The Rural Development (RD) mission area includes: the Rural Utilities Service (RUS), the Rural Housing Service (RHS) and the Rural Business-Cooperative Service (RBS). Programs in this area are intended to serve the diverse needs of rural America by providing infrastructure for meeting basic amenities such as safe drinking water, electricity and telecommunication, and decent housing, and by enhancing the economic base of rural America. RD programs are delivered through field offices that are consolidated within USDA Service Centers. Consistent with USDA's principles for food and agricultural policy, the mission area also has a role in the coordination of rural development efforts among local, State and Federal levels, and the involvement of all stakeholders.

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**Program Level (P.L.) and Budget Authority (B.A.)
(Dollars in Millions)**

Program	2001 Actual		2002 Current Est.		2003 Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Rural Utilities Service.....	\$4,845	\$816	\$6,998	\$742	\$4,783	\$756
Rural Housing Service.....	4,906	1,132	6,111	1,220	5,243	1,107
Rural Business-Cooperative Service.....	1,300	150	1,316	141	845	108
Salaries and Expenses.....	645	645	653	653	685	685
Total, Rural Development.....	\$11,696	\$2,742	\$15,078	\$2,756	\$11,556	\$2,656

The 2003 budget includes \$10.8 billion in loans, grants and related assistance for rural residents and communities.

The major provisions of the RD budget follow:

- The 2003 budget includes essentially the same amount of budget authority (\$2.7 billion) as appropriated for 2002. Increased subsidy costs, based on revised actual program experience, have reduced the amount of program that can be supported with the same amount of budget authority allocated to certain programs, such as single family housing direct loans and water and waste disposal direct loans. Within the total for RD, resources have been allocated to preserve program levels at about the same levels that the key programs have been operating in recent years.
- The 2003 budget maintains flexibility within funding streams under the Rural Community Advancement Program (RCAP) that was enacted as part of the 1996 Farm Bill. RCAP allows funds to be transferred between programs to ensure better coordination in meeting local priorities. The table on page 41 indicates the program levels included in RCAP.

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- Direct loans and loan guarantees for rural electric systems are reduced from \$4.1 billion in 2002 to \$2.6 billion in 2003. This change reflects the anticipated demand.
- Direct loans for the telecommunications programs, except the Rural Telephone Bank (RTB) loans, are maintained at \$495 million. The proposal made last year to eliminate \$175 million in RTB loans is being repropoed, consistent with the Administration's efforts to encourage the RTB to privatize and seek other sources of funds for making loans.
- The distance learning and medical link program and broadband and internet services program are maintained at approximately the same levels they have been operating. This includes \$50 million in direct loans for the distance learning and medical link program and \$80 million in direct loans for the broadband and internet services program. In recent years, substantially higher loan levels have been projected for the distance learning and medical link program, but these levels have never been achieved.
- The water and waste disposal program includes \$814 million in direct loans, \$75 million in guaranteed loans and \$587 million in grants. This program supports the infrastructure in rural America to provide clean, safe, sanitary drinking water and waste water disposal to rural residents. In 2003, 1.4 million people will benefit.
- The single family housing programs are funded at \$957 million in direct loans and \$2.8 billion in guaranteed loans. Direct loans are available only to low-income and very low-income families, those with less than 80 percent of area median income, who can receive an interest subsidy. Guaranteed loans are available to families with incomes up to 115 percent of area median income. The 2003 program levels will allow the agency to provide loans and guarantees to provide about 50,000 homeownership opportunities.
- For the multi-family housing program, the 2003 budget reflects a decision by the Administration to conduct a thorough review of alternatives for both making new loans and servicing the existing portfolio of about 17,800 projects that contain about 460,000 units, with an outstanding indebtedness of almost \$12 billion. A substantial portion of this portfolio is over 20 years old. The demand for loans to repair and rehabilitate existing projects has been increasing in recent years, as has the cost of providing rental assistance payments to keep the projects viable and available to low-income tenants. USDA plans to commit up to \$2 million for contracts to support the review, which is already underway. Pending completion of the review, the 2003 budget does not include funding for direct loans for any new projects. However, it does include \$60 million in direct loans for repair and rehabilitation and related purposes. It also includes \$100 million in guaranteed loans, which may be used for either repair and rehabilitation, and new construction.
- The rural rental housing assistance program is increased from \$707 million for 2002 to \$712 million for 2003. The higher level of assistance is needed to provide for the renewal of existing contracts, to support new farm labor housing projects, and to provide limited funding for servicing existing projects.

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This assistance makes up the difference between what the tenant pays and the rent required for the project owner to meet debt servicing requirements and other costs. Tenants receiving this assistance are mostly elderly and have very low-income and minimal financial assets. Accordingly, most recipients

Rural Community Advancement Program (Dollars in Millions)

Program	2001 Program Level	2002 Program Level	2003 Program Level
Water and Waste Disposal Programs:			
Direct Loans.....	\$789	\$894	\$814
Guaranteed Loans.....	5	75	75
Grants.....	595	584	587
Emergency Community Water Assistance Grants.....	20	0	0
Solid Waste Management Grants.....	4	4	4
High Energy Costs Grants.....	20	10	30
Community Facility Programs:			
Direct Loans.....	326	404	250
Guaranteed Loans.....	139	210	210
Grants.....	37	25	17
Rural Community Development Initiative Grants.....	0	12	0
Hazardous Weather Early Warning.....	0	5	0
Economic Impact Initiative Grants.....	33	37	0
Business and Industry Programs:			
Direct Loans.....	51	a/	0
Guaranteed Loans.....	1,043	1,152	733
NADBank Guaranteed Loans.....	32	34	0
Rural Business Opportunity Grants.....	4	5	3
Rural Business Enterprise Grants.....	49	41	44
Rural Partnership Technical Assistance Grants.....	5	0	0
Matching DOE Grant.....	0	3	0
Total, Loans and Grants.....	\$3,152	\$3,495	\$2,767

a/ Less than \$500 thousand.

for rental assistance payments are able to pay only a small portion of the \$300 per month average basic rent.

- Salaries and expenses are increased from \$653 million for 2002 to \$685 million for 2003. This increase is needed to cover higher pay costs and to invest in information technology to improve the overall management of the programs.

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RURAL UTILITIES SERVICE (RUS)

Program Level (P.L.) and Budget Authority (B.A.) (Dollars in Millions)

Program	2001 Actual		2002 Current Est.		2003 Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Loan Programs:						
Electric Loans:						
Direct 5%.....	\$121	\$12	\$121	\$4	\$121	\$7
Municipal.....	294	20	500	0	100	4
Direct Treasury Rate.....	500	0	750	0	700	0
FFB Guaranteed.....	1,641	0	2,600	0	1,600	0
Guaranteed CFC/CoBank.....	59	a/	100	a/	100	a/
Total, Electric Loans.....	2,615	32	4,071	4	2,621	11
Telecommunications Loans:						
Direct 5%.....	75	8	75	2	75	1
Treasury Rate.....	300	0	300	a/	300	a/
FFB Guaranteed.....	120	0	120	0	120	0
Total, Telecommunications Loans.....	495	8	495	2	495	1
Rural Telephone Bank (RTB).....	175	3	175	4	0	0
Total, Electric, Telecommunications, and RTB....	3,285	43	4,741	10	3,116	12
Distance Learning Program:						
Distance Learning Treasury Rate Loans.....	0	0	300	0	50	0
Broadband Treasury Rate Loans.....	100	0	80	0	80	4
Distance Learning & Telemedicine Grants.....	27	27	28	28	25	25
Broadband Grants.....	0	0	24	24	2	2
Total, Distance Learning Program.....	127	27	432	52	157	31
Local Television Loans.....	0	0	258	20	0	0
High Energy Costs Grants b/.....	20	20	10	10	30	30
Water and Waste Disposal Programs:						
Direct b/.....	789	107	894	62	814	92
Guaranteed b/.....	5	0	75	0	75	0
Water and Waste Disposal Grants b/.....	595	595	584	584	587	587
Emerg. Community Water Assistance Grants b/.	20	20	0	0	0	0
Solid Waste Management Grants b/.....	4	4	4	4	4	4
Total, Water & Waste Disposal Programs.....	1,413	726	1,557	650	1,480	683
Total, RUS Loans & Grants.....	\$4,845	\$816	\$6,998	\$742	\$4,783	\$756

a/ Less than \$500 thousand.

b/ These are included in the Rural Community Advancement Program. (See page 41.)

The electric and telecommunications programs administered by RUS provide loans to establish, expand,

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and modernize vital components of the infrastructure of rural America. These are long-standing programs, that brought electrical power to areas that private utility companies refused to serve and, later, connected many of the same areas to the Nation's telecommunications network.

The programs continue to serve a useful purpose because gaps still exist in the access that rural areas have to private investment capital.

The distance learning and medical link program is more recent and more specific in purpose. The financial assistance provided under this program improves the educational opportunities for rural residents and opens up new avenues for them to receive medical assistance in time of need.

The broadband and internet services program was established as a pilot program in 2001 and was continued in 2002. It is used to finance the installation of various modes of broadband transmission capacity, including fiber optic cable for high speed internet access, and to provide local dial-up internet service to under served areas. Funds are targeted to communities that currently lack internet access via a local call. Recipients include existing RUS telecommunication borrowers or their subsidiaries as well as other entities.

The proposal to stop making new Rural Telephone Bank (RTB) loans with Federal funds is to continue the progression of the RTB toward becoming a private bank. The RTB has the potential to obtain funding from the major capital markets, and remain a vital source of credit for telephone borrowers. The RTB was established in 1971 as a supplemental source of funding for telephone loans. The first step toward privatization was taken in 1996 with the retirement of \$18 million in government-owned, Class A stock. Since 1996, an additional \$97.4 million in such stock has been retired, leaving an outstanding balance of \$476.7 million. Current law authorizes a two-phase process for privatizing the RTB. During the first phase, 51 percent of the Class A stock is redeemed. The second phase occurs when 100 percent of the stock is redeemed.

The Water and Waste Disposal Program provides financing for rural communities to establish, expand or modernize water treatment and waste disposal facilities. For the most part, eligibility is limited to communities of 10,000 or less in population, that are unable to obtain credit elsewhere. Grants are limited to a maximum of 75 percent of project costs and, typically average about 35 to 45 percent of program costs. They are available only to those communities with low median household income levels. Program regulations stipulate that the grant amount should only be as much as necessary to bring the user rates down to a reasonable level for the area. Interest rates on loans range from 4.5 percent for poverty communities to a ceiling of 7 percent, and grant and loan funds are usually combined based on the income levels of users.

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RURAL HOUSING SERVICE (RHS)

Program Level (P.L.) and Budget Authority (B.A.) (Dollars in Millions)

Program	2001 Actual		2002 Current Est.		2003 Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Rural Housing Loans:						
Single Family:						
Direct Loans (Section 502).....	\$1,074	\$172	\$1,082	\$142	\$957	\$185
Modular Housing Demonstration Loans.....	<u>a/</u>	<u>a/</u>	2	<u>a/</u>	0	0
Guaranteed Loans (Section 502).....	2,342	6	3,138	40	2,750	20
Multi Family Housing:						
Direct Loans (Section 515).....	121	60	147	62	60	28
Guaranteed Loans (Section 538).....	0	0	112	4	100	5
Very Low-Income Repair (Section 504).....	31	11	46	15	35	11
Self-Help Housing (Section 523).....	4	<u>a/</u>	5	<u>a/</u>	5	<u>a/</u>
Housing Site Development (Section 524).....	4	0	5	<u>a/</u>	5	<u>a/</u>
Credit Sales, Single-Family Housing.....	3	0	10	0	10	0
Credit Sales, Multi-Family Housing.....	2	1	2	1	2	1
Total, Housing Loans.....	3,581	250	4,549	265	3,924	250
Grants and Payments:						
Modular Housing Demonstration Grants.....	1	1	4	4	0	0
Very Low-Income Repair (Section 504).....	34	34	35	35	32	32
Mutual and Self-Help (Section 523).....	18	18	56	56	34	34
Supervisory and Technical Asst (Section 525).....	1	1	1	1	1	1
Compensation for Construction Defects.....	<u>a/</u>	<u>a/</u>	1	1	0	0
Rural Housing Preservation (Section 533).....	8	8	8	8	10	10
Processing Workers Housing Grants.....	0	0	5	5	0	0
Rental Assistance Payments (Section 502).....	0	0	6	6	6	6
Rental Assistance Payments (Section 521).....	686	686	701	701	706	706
Total, Grants and Payments.....	748	748	817	817	789	789
Farm Labor Housing Program:						
Loans (Section 514).....	33	17	28	13	36	18
Grants (Section 516).....	9	9	24	24	17	17
Total, Farm Labor Program.....	42	26	52	37	53	35

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Program Level (P.L.) and Budget Authority (B.A.) (Dollars in Millions)

Program	2001		2002		2003	
	Actual		Current Est.		Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Community Facility Programs:						
Direct b/.....	326	38	404	22	250	16
Guarantees b/.....	139	0	210	0	210	0
Community Facility Grants b/.....	37	37	25	25	17	17
Rural Community Development Initiative Grants b/.....	0	0	12	12	0	0
Hazardous Weather Early Warning Grants b/.....	0	0	5	5	0	0
Economic Impact Initiative Grants b/.....	33	33	37	37	0	0
Total, Community Facility Programs.....	535	108	693	101	477	33
Total, Loans and Grants.....	\$4,906	\$1,132	\$6,111	\$1,220	\$5,243	\$1,107

a/ Less than \$500 thousand.

b/ These are included in the Rural Community Advancement Program. (See page 41.)

The single family housing direct loan program provides subsidized loans for the purchase of modest housing in rural areas. Direct loans are made at a graduated interest rate level starting from 1 percent and rising to 1.5 percent over the Treasury rate, depending on family income. Direct loans are limited to families who have income under 80 percent of the area median income. The average annual income of a direct loan borrower is generally about 55 percent of area median income or about \$17,000 on a national basis. Loan guarantees primarily serve families with moderate incomes, with the interest rate negotiable between the lender and borrower.

The section 515 multifamily housing loan program provides direct loans to construct and maintain multifamily rental projects that serve low and very low-income families. Projects receive payment assistance to make rents affordable. The average annual income of a section 515 tenant is \$7,900.

The section 538 multifamily housing loan guarantee program provides guarantees of loans that are made by private lenders. The program is designed to leverage other sources of financing. It serves rural families with incomes up to 115 percent of the area median income, who can afford to pay unsubsidized rents.

The rental assistance program provides funding for five year contracts with project owners for reducing rent payments to make up the difference between the 30 percent of income the low-income tenant pays and the rent required for the project owner to meet debt servicing requirements. Most of the funding for this program is used to renew expired contracts.

The community facilities program provides direct loans, guarantees and grants to finance essential community facilities, with priority given to health and safety facilities. There are three interest rates available on direct loans, with the lowest, 4.5 percent, offered to communities where the median income is below the poverty level and for projects to meet health and safety standards. For community facility programs,

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the 2003 budget provides \$250 million in direct loans, \$210 million in guarantees, and \$17 million in grants. This level of funding will support over 560 new or improved health care facilities, child care, fire and emergency services and other facilities lacking in rural America.

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RURAL BUSINESS-COOPERATIVE SERVICE (RBS)

Program Level (P.L.) and Budget Authority (B.A.)
(Dollars in Millions)

Program	2001 Actual		2002 Current Est.		2003 Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Loans:						
Business and Industry:						
Guarantees a/.....	\$1,043	\$9	\$1,152	\$43	\$733	\$29
Direct a/.....	51	3	c/	c/	0	0
NADBank Guaranteed Business and Industry a/.....	32	c/	34	1	0	0
Intermediary Relending Program.....	39	20	38	16	40	19
Rural Economic Development b/.....	23	6	15	4	15	3
Total, Loans.....	1,188	38	1,239	64	788	51
Grants:						
Rural Business Enterprise a/.....	49	49	41	41	44	44
Rural Business Opportunity a/.....	4	4	5	5	3	3
National Sheep Industry Improvement Center.....	4	4	1	1	0	0
Rural Cooperative Development.....	5	5	4	4	3	3
Value Added Agricultural Product Market (ARPA)	10	10	0	0	0	0
Emergency Supplemental Funding.....	10	10	0	0	0	0
Agricultural Marketing Resource Center (ARPA)...	5	5	0	0	0	0
Appropriate Technology Transfer for Rural						
Areas.....	2	2	3	3	2	2
Rural Economic Development.....	3	3	4	4	0	0
Cooperative Research Agreements.....	c/	c/	0	0	1	1
Grants to Assist Minority Producers.....	1	1	1	1	2	2
Rural Partnership Tech. Assistance a/.....	5	5	0	0	0	0
Matching DOE Grant.....	0	0	3	3	0	0
Cooperative Energy Alternatives.....	0	0	0	0	2	2
Empowerment Zones and Enterprise						
Communities	14	14	15	15	0	0
Total, Grants.....	112	112	77	77	57	57
Total, RBS Loans and Grants	\$1,300	\$150	\$1,316	\$141	\$845	\$108

a/ These are included in the Rural Community Advancement Program. (See page 41.)

b/ Funding for these loans is offset by a rescission of an equivalent amount of BA from the "cushion of credit" accounts of electric borrowers. Thus, the cost for these loans is a net of zero for the taxpayers.

c/ Less than \$500 thousand.

RBS administers the Department's rural business assistance programs, including technical assistance,

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development, and research on agricultural cooperatives. The agency delivers a wide variety of services to its clients. Business and Industry (B&I) loan guarantees, for example, provide protection against loan losses so that private lenders are willing to extend credit to establish, expand, or modernize rural businesses. Special efforts are being made to help rural communities diversify their economies, particularly into value-added processing, by focusing on cooperative ventures.

The 2003 budget supports a \$733 million program level for business and industry guaranteed loans. The 2002 program level of \$1.2 billion includes over \$400 million in loans supported through budget authority carried forward from 2001.

The B&I direct loan program was established in 1997, and was funded at a \$50 million program level through 2001. However, the program never fully utilized this amount of funding, and experienced a much higher default rate than anticipated. For these reasons, no funding was requested nor appropriated for 2002 and none is requested for 2003.

RBS also administers a wide variety of relatively small programs that provide specific assistance. Most of these programs are maintained at their 2002 levels, except for the Empowerment Zones and Enterprise Communities (EZ/EC) grants which are not included in the request. Funds are earmarked for priority to EZ/EC in other rural development programs.

FOOD, NUTRITION, AND CONSUMER SERVICES

FOOD AND NUTRITION SERVICE (FNS)

The Food and Nutrition Service (FNS) administers America's domestic nutrition programs. The mission of FNS is to improve the nutritional levels of Americans by providing children and needy families better access to a healthful diet. FNS fulfills its mission via nutrition promotion and direct nutrition assistance provided through the programs identified in the table below. The Food Stamp Program is the cornerstone of America's commitment to helping the needy achieve adequate nutritional levels. The other programs target specific categories of the population. Improving public understanding of proper nutrition, a major Departmental objective, is also fostered by the nutrition assistance programs.

Food and Nutrition Service Program Level (Dollars in Millions)

Program	2001 Actual	2002 Current Estimate	2003 Budget
Food Stamp Program.....	\$17,937	\$21,473	\$22,920 <u>a/</u>
Farm Bill Proposed Legislation.....	0	0	29
Nutrition Assistance for Puerto Rico.....	1,296	1,351	1,377
Total, Food Stamp Program.....	19,233	22,824	24,326
Child Nutrition Programs.....	10,262	10,729	11,325
Special Supplemental Nutrition Program (WIC).....	4,198	4,454	4,712 <u>b/</u>
Farmers' Market Nutrition Program.....	22	11	0
Commodity Assistance Program:			
Commodity Supplemental Food Program.....	91	104	105 <u>c/</u>
Seniors Farmers' Market Nutrition Program.....	15	10	0
Soup Kitchens, Food Banks and The Emergency Food Assistance Program (TEFAP).....	145	150	150
Total, CAP.....	251	264	255
Food Donations Programs:			
Nutrition Services Incentives Program.....	152	151	<u>d/</u>
Pacific Island Assistance and Disaster Assistance.....	1	1	1
Total, Food Donations.....	153	152	1
Food Program Administration.....	139	148	156
Total, FNS.....	<u>\$34,258</u>	<u>\$38,582</u>	<u>\$40,775</u>

a/ In addition, \$2 billion is requested in 2003 for a contingency reserve.

b/ In addition, \$150 million is requested in 2003 for a contingency reserve.

c/ Includes \$10 million in inventory draw down.

d/ Funding for the Nutrition Services Incentive Program, formerly the Nutrition Program for the Elderly, is being requested by DHHS.

The 2003 budget funds the anticipated needs for each of these programs. Increases are proposed in the

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Food Stamp Program to assist needy immigrants who have legally resided in the U.S. for 5 years or more, and meet program eligibility requirements; to assist working households, particularly by allowing one vehicle per work-able person to help them find and retain jobs; and to allow States to focus more on assisting the needy. Another major priority of this Administration is the adequate funding of WIC. An increase of \$247 million is requested, for a total program level of \$4.7 billion for this program. This enables a record monthly average participation level of 7.8 million low-income, at risk, women, infants and children to be assisted. For all of the nutrition assistance programs, efforts will be continued to modernize benefit delivery systems, improve integrity and efficiency, and strengthen nutrition promotion. Some details of the nutrition programs follow.

Food Stamps. The 2003 budget anticipates growth in participation of about 0.8 million, about 4 percent over 2002 estimates (for a total of 20.6 million), projects modest food price inflation, and provides \$2 billion for a contingency reserve. Major changes in the program authorizing statutes are included in the budget and the Farm Bill consistent with the goals stated in the Secretary's September 2001 *Food and Agricultural Policy: Taking Stock for the New Century*. Major provisions include:

- Reform the Quality Control System by increasing annual performance bonuses and setting the sanction rate at 10 percent of error if a State exceeds the 75th percentile in error for two consecutive years. The current system assigns liabilities to half the States. The 2003 proposal focuses on poor performance and provides for more balanced State incentive payments to recognize broader program goals.
- Allowing legal immigrants who have resided in the U.S. for 5 years or more to be eligible to apply for food stamps, a change from current law which requires that they pay social security taxes for 40 quarters, i.e., 10 years prior to becoming eligible. This change would align food stamp eligibility policy with other major Federal programs and strike a balance between recognizing food assistance needs and ensuring that assistance is not an enticement for immigration.
- Simplifying and refining program rules while fostering work and employment. The USDA proposal standardizes the excess medical deduction and the dependent care deductions. Eliminating case-by-case documentation and calculation of household expenses will ease the burden on applicants and States.
- Facilitating participant efforts to seek and retain employment, by allowing one vehicle per work-able household member not to be counted as an asset.
- Making procedural changes that will make it easier for still eligible, low-income working households to continue to participate, including ending proration of the standard utility deduction. Interest and dividends would be excluded from gross income calculations and Electronic Benefit Transfer (EBT) systems would be fostered for efficiency and simplicity.
- Strengthening State efforts to improve participant self-sufficiency by offering greater flexibility to use food stamp employment and training resources to help those in need.

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- Finally, non-cash Temporary Assistance for Needy Family recipients will qualify based on their actual income and resources, rather than simply being categorically food stamp eligible. This change will reduce program costs, allowing the targeting of assistance to those most in need.

Further, the budget allows the Department to strengthen its efforts to aggressively fight error and fraud, as well as implement the EBT system by requesting additional funds for program integrity activities. The 2003 budget also continues nutrition education and program information activities, EBT implementation, and program integrity activities. Funding for the Nutrition Assistance Program for Puerto Rico is requested at \$1.4 billion, the same as the authorized level. Overall, the budget and legislative proposals reflect renewed commitment to the nutrition safety net.

Child Nutrition Programs. Increasing children's understanding of nutrition and improving their diets through the School Meals Initiative for Healthy Children continues to be a priority. The National School Lunch, School Breakfast, Summer Food Service, Special Milk, and Child and Adult Care Food Programs (CACFP) play a significant role in achieving this goal by assisting State and local governments in serving healthful, nutritious meals to children in various settings, with greatest emphasis on helping low-income children. These programs assist pre-school and school-aged children by subsidizing nutritious meals for children in participating schools as well as in child care settings. Special subsidies are provided under these programs so that low-income children receive meals free or at a greatly reduced price. Under the current Child Nutrition Programs, especially CACFP, the meal subsidies provide important support for child care. This helps the Nation's working people, as well as work-able welfare recipients, to be able to train for, gain and maintain employment.

For 2003, the Child Nutrition Programs are funded at a level that will support anticipated increases in participation and food costs. The Department continues to work with the States to improve the appeal and nutritional quality of school meals and to help schools bring their meals into compliance with *The Dietary Guidelines for Americans*.

WIC. The budget funds a program level of \$4.7 billion, an increase of \$247 million over 2002. Also, the budget proposes a \$150 million contingency fund to cover any unanticipated increases in participation. This represents an increase of \$364 million in budget authority and \$33 million in 2002 unobligated funds. The funding for the WIC Program will support a monthly average of 7.8 million participants, allowing for growth above current levels if it is needed. Ensuring funding for WIC is one of the Secretary's major priorities, as stated in *Food and Agricultural Policy: Taking Stock for the New Century* and a critical part of the Administration's goal of guaranteeing stable funding of the nutrition safety net. The WIC Program helps improve the health and nutritional intake of low-income pregnant, breast-feeding and postpartum women, infants and children up to their fifth birthday. WIC works by providing recipient households vouchers redeemable for foods dense in nutrients known to be lacking in their diets -- foods such as milk, eggs, cheese, fruit juices, cereal and infant formula. In addition to the food supplements provided at no cost to recipients, WIC provides nutrition education so that recipients effectively utilize the WIC foods as well as other foods acquired by the household. Finally, WIC provides linkages to other important health and social services. Over 47 percent of infants born in the United States are WIC beneficiaries each year. No funding is requested in

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2003 for the WIC Farmers' Markets Nutrition Program.

Commodity Assistance Program. The Commodity Assistance Program provides commodities distributed through several programs. The Emergency Food Assistance Program (TEFAP) provides administrative funding and commodities to the network of food banks and other programs which assist households in need of immediate, short-term food assistance. TEFAP providers also typically distribute significant quantities of commodities donated by the private sector, thereby leveraging the Federal investment. Commodities are also made available to soup kitchens and food banks. Funding for TEFAP includes both discretionary funding of \$50 million for program administration or for food, at the election of State officials, and \$100 million available under the Food Stamp Program appropriation to be used to purchase commodities for distribution to the States.

The Commodity Supplemental Food Program (CSFP) provides commodities to low-income elderly and pregnant, postpartum and breastfeeding women, infants and children up to age six not already on WIC. The 2003 budget funds a program level of \$105 million for CSFP. This program level will support anticipated increases in elderly participation.

Food Donations Programs. This year the Administration proposes that the Nutrition Services Incentive program, formerly the Nutrition Program for the Elderly (NPE), be consolidated with its much larger sister program and funded within the Department of Health and Human Services (DHHS). DHHS has always taken the lead in operating this program, and the DHHS budget includes sufficient funds to continue all of the DHHS and USDA funded program at current levels. The consolidation will foster simplification of program rules and procedures and help program management at the Federal and State levels focus more effort on better outcomes for the recipients. The program will continue to provide subsidized meals to persons aged 60 or older at low-income elderly centers and through "meals on wheels" programs.

Food Program Administration. Funding of \$155.9 million is requested to maintain program operations, enhance program integrity initiatives, provide additional resources to continue upgrading information technology infrastructure and systems, and increase the emphasis on improved nutrition among participants in the domestic nutrition assistance programs. The budget includes an increase of \$4.5 million for new Food Stamp and Child Nutrition Programs integrity efforts and systems improvements. USDA's ability to simplify and improve the programs, to increase program efforts to improve nutritional outcomes, encouraging healthy and nutritious diets, and the overall success of the nutrition safety net, is fostered by the Federal administrative efforts supported by these funds.

FOOD, NUTRITION, AND CONSUMER SERVICES

Food and Nutrition Service Key Indicators

	2001 Actual	2002 Estimate	2003 Budget
Average Participation, millions:			
Food Stamps.....	17.3	19.8	20.6
Free School Lunch.....	12.9	13.6	14.0
Total, School Lunch.....	27.4	28.0	28.4
Free Breakfast.....	5.8	6.2	6.3
Total, Breakfast.....	7.8	8.1	8.3
WIC.....	7.3	7.5	7.8
Commodity Supplemental Food Program (CSFP):			
WIC-type.....	0.08	0.08	0.08
Elderly.....	0.32	0.35	0.37
Food Distribution Program on Indian Reservations (FDPIR).....			
Reservations (FDPIR).....	0.11	0.12	0.12
Unemployment Rate.....	4.4	5.8	5.6
Average/person/month food benefit in \$:			
Food Stamps.....	\$74.77	\$79.87	\$82.10
WIC.....	34.20	35.06	35.86
CSFP: WIC-type (FNS Funded) a/.....	16.63	18.33	18.83
CSFP: Elderly (FNS Funded) a/.....	11.90	13.62	13.99
FDPIR (FNS Funded) a/.....	36.20	37.44	38.39
Per meal subsidies including commodities b/:			
Free School Lunch.....	\$2.38	\$2.46	\$2.50
Reduced Price School Lunch.....	1.97	2.05	2.10
Paid School Lunch.....	0.34	0.36	0.36
Free Breakfast.....	1.13	1.16	1.18
Paid Breakfast.....	0.21	0.21	0.22

a/ Excludes bonus commodities. In 2001, an average \$3.06, \$3.41, and \$0.85 was added for each participant monthly for WIC-type, elderly and FDPIR respectively.

b/ Excludes bonus commodities.

FOOD SAFETY

MISSION

Food Safety, the public health mission area of USDA, provides scientific focus, leadership and expertise in addressing the important domestic and international public health and safety issues related to meat, poultry, and egg products regulated by the Food Safety and Inspection Service (FSIS) and the general oversight of the Office of the U.S. Manager of the Codex Alimentarius Commission. Food Safety also leads efforts within the Department to respond to meat, poultry and egg safety emergencies and coordinates policies and program development with other departments, international organizations, other countries, and State and local governments on these food safety issues.

FSIS provides in-plant inspection to all domestic establishments preparing meat, poultry, and processed

Program Level (Dollars in Millions)

Program	2001 Actual	2002 Current Estimate	2003 Budget
Federal Food Safety & Inspection.....	\$676	\$697	\$722
State Food Safety & Inspection.....	46	47	50
International Food Safety & Inspection.....	15	16	17
Field Automation & Information Management.....	12	12	12
Codex Alimentarius.....	2	3	3
Total, FSIS Appropriations.....	752	776	804
Homeland Security Supplemental.....	0	15	0
Existing User Fees and Trust Funds.....	99	101	101
Proposed New Fees.....	0	0	a/
Total, FSIS Program Level.....	\$851	\$892	\$905
RECAP:			
Ongoing Appropriation.....	\$752	\$776	\$804
Homeland Security Supplemental.....	0	15	0
Existing User Fees and Trust Funds.....	99	101	101

a/ Fees will be collected starting in FY 2004.

egg products for sale or distribution into interstate commerce, and also reviews and approves foreign inspection systems and plants exporting these products to the United States. FSIS provides technical and cost-sharing assistance to, and review of, States that maintain inspection programs equal to the Federal inspection program. To accomplish these functions, FSIS employees are stationed in approximately 6,000 establishments, including approximately 140 import stations. Headquarters personnel are responsible for overseeing administration of the program and ensuring that the latest scientific and technological developments are incorporated into inspection procedures. FSIS coordinates the development of its policies with other USDA agencies, the Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), the Centers for Disease Control and Prevention (CDC), as well as international organizations, to ensure an integrated farm-to-table approach to food safety.

FOOD SAFETY

The Administration's report, *Food and Agricultural Policy: Taking Stock for the New Century*, highlights that a safe food supply is one of the foundations of a successful food and agricultural system. Highly publicized outbreaks of foodborne illness have demonstrated how important safeguarding public health is to both consumers and producers. FSIS plays a critical role in safeguarding the food supply and its policies have helped contribute to the recent decline in pathogenic contamination of meat and poultry products. Continued investment in the food safety infrastructure is necessary to ensure that the appropriate personnel, tools, and information are available to address the emerging food safety hazards that threaten public health and the viability of our agricultural system.

For 2003, the budget proposes a program level of \$905 million. This includes an appropriation of \$804 million, a net increase of about \$28 million over the 2002 current estimate. Appropriated funds are requested to cover the costs of Federal inspection and for maintaining Federal support of State inspection programs. The budget requests resources necessary to support FSIS food safety activities, including maintaining approximately 7,600 meat and poultry inspectors. The 2003 budget also includes an increase of \$14.5 million to improve FSIS' information technology infrastructure through the implementation of the FSIS Automated Corporate Technology Suite (FACTS). Aging information systems hinder the ability of program managers to integrate inspection information and management data for improved science-based decisionmaking. FSIS mainframe computers are over 20 years old and are not able to be linked together to allow sharing of information. Under FACTS, FSIS would upgrade and integrate headquarters computer systems, including those supporting financial transactions, travel, and monitoring plant and inspector performance. Major benefits include improved science-based decision-making for risk assessment and risk management functions as well as improved financial and personnel management. The budget also includes an increase of \$2.7 million to conduct slaughter epidemiological surveys and risk prevention activities for small and very small establishments.

During 2003, FSIS will develop a proposal to replace the existing overtime fee structure with a revised structure that would reduce current overtime rates and charging establishments for inspection services now provided to establishments without reimbursement for second and third shifts. The budget also includes a new annual licensing fee proposal that will make funds available, in subsequent years, for FSIS to invest in food safety inspection technology.

FSIS' program responsibilities include:

Federal Food Safety and Inspection. FSIS inspects all carcasses in slaughter plants for disease and other abnormalities, and samples for the presence of chemical residues and microbiological contaminants. Meat and poultry processing operations are inspected by FSIS at a minimum on a daily basis. Typical processing operations include cutting, boning, curing, freezing and canning. Inspector activities include inspections of plant operations for sanitation and cleanliness, labeling, and packing functions. FSIS provides mandatory, continuous in-plant inspection to egg product processing plants. FSIS inspectors check the sanitation of plant and equipment, and determine if the egg products have been properly processed. FSIS operates three laboratories and has agreements with two private laboratories to perform the scientific testing in support of inspection operations. Samples sent to the laboratories are analyzed for food chemistry and to identify the presence of pathogens, residues, additives, disease, and foreign matter.

FOOD SAFETY

Other responsibilities ensure that establishments develop and implement acceptable HACCP plans, sanitation standard operating procedures, and humane methods of slaughter.

State Food Safety and Inspection. FSIS has authority to approve State meat and poultry inspection programs for products traveling in intrastate commerce. FSIS reviews State inspection programs to assure that standards, at least equal to Federal standards, are applied to meat and poultry plants under State jurisdiction. For State inspection programs, USDA contributes, through the Grants to States Program, up to 50 percent of each State's costs. Currently, 27 States participate in the program. FSIS also provides special assistance in the form of training and technical assistance to a variety of State and local agencies that play important roles in reducing risks associated with meat and poultry products.

International Food Safety and Inspection. FSIS reviews and approves inspection systems in countries exporting meat, poultry and egg products to the U.S. and inspects imported products at ports-of-entry.

Field Automation and Information Management (FAIM). FAIM provides automated technology, scheduling information, regulatory information and improved telecommunications capability among the widely dispersed field inspection workforce and State inspection programs.

Codex Alimentarius Commission. FSIS coordinates U.S. participation in and informs the public of the sanitary and phytosanitary standard setting activities of the Codex Alimentarius Commission. FSIS enhances U.S. leadership in international food safety issues by training U.S. delegates in Codex procedures and gathering international support for the science-based factors needed to design international food safety standards.

Homeland Security Supplemental. With supplemental funding received for homeland security, FSIS will strengthen bio-security, physical security, cyber-security, and telecommunications at mission critical facilities. In addition, FSIS will establish education, training, and technical assistance programs to strengthen detection capability, improve emergency responses to potential food supply threats, and increase awareness of biosecurity threats by the public.

Existing User Fees and Trust Funds. Currently, user fees are collected to recover the cost of inspection provided beyond regularly scheduled operations and on holidays. Establishments requesting voluntary inspection services, which are not mandated by law, are also charged a user fee to recover the full costs of the inspection.

NATURAL RESOURCES AND ENVIRONMENT

MISSION

The mission of the Natural Resources and Environment area is to promote the conservation and sustainable use of natural resources on the Nation's private lands and to sustain production of all the goods and services that the public demands of the National Forests. Two agencies, the Natural Resources Conservation Service (NRCS) and the Forest Service (FS), are primarily responsible for achieving this mission.

NATURAL RESOURCES AND ENVIRONMENT

NATURAL RESOURCES CONSERVATION SERVICE (NRCS)

Program Level (Dollars in Millions)			
Program	2001 Actual	2002 Current Estimate	2003 Budget
Conservation Operations:			
Conservation Technical Assistance.....	\$679	\$741	\$787
Soil Surveys.....	83	87	90
Snow Surveys.....	6	9	9
Plant Materials Centers.....	9	10	11
Total, Conservation Operations.....	777	847	897
Watershed and Flood Prevention Operations.....			
Emergency Watershed Protection.....	102	111	0
Emergency Supplemental Funding.....	0	0	111
Emergency Supplemental Funding.....	147	0	0
Watershed Surveys and Planning.....	11	12	0
Watershed Rehabilitation Program.....	0	10	0
Resource Conservation and Development.....	46	51	52
Forestry Incentives Program.....	6	7	0
Programs Funded by CCC:			
Environmental Quality Incentives Program.....	163	200	200 ^{a/}
Wetlands Reserve Program.....	182	0	0
Agricultural Management Assistance (ARPA).....	8	<u>b/</u>	<u>b/</u>
Other ARPA programs.....	50	1	0
Total, NRCS.....	\$1,492	\$1,239	\$1,260
RECAP:			
Ongoing Appropriations.....	\$942	\$1,038	\$1,060
Emergency Supplemental Funding.....	147	0	0
Funded from CCC.....	403	201	200

a/ Included in the CCC baseline in the President's budget, with the final program level to be set when the new farm bill is passed.

b/ The Agricultural Risk Protection Act of 2000 provides \$10 million for Agricultural Management Assistance to be allocated by the Secretary.

NRCS directs its financial and technical assistance programs to land users through the USDA Service Centers and through local conservation districts, which are units of State or local governments organized for the purpose of developing and carrying out local conservation programs. USDA has entered into a Memorandum of Understanding with each conservation district and these formal agreements provide a basis for the Department's working relationship with each district.

NATURAL RESOURCES AND ENVIRONMENT

The President's 2003 budget proposes to eliminate underperforming or ineffective programs that have a limited scope, that have goals that can be addressed through other existing or reformed programs, or that are more appropriately carried out by the non-Federal sector. The Forestry Incentives Program is one such program that will be discontinued. In addition, all non-emergency watershed planning and operations work will no longer be funded in order to redirect staffing resources to higher priority and emerging environmental concerns.

The 2003 budget also proposes to seek \$111 million in appropriated funding for the Emergency Watershed Protection Program, which will enable the Department to provide immediate assistance to farmers and communities in the event of a natural disaster. Since emergency activities are difficult to predict and vary from year to year, this proposal will provide an important level of stability and security to rural areas to help address sudden, urgent, unforeseen and non-permanent expenditures.

Conservation Operations (CO). The 2003 budget proposes \$897 million for CO which includes \$787 million for conservation technical assistance (CTA). This will maintain the agency's activities that support locally led, voluntary conservation through the unique partnership that has been developed over the years with each conservation district. This partnership provides the foundation on which the Department addresses many of the Nation's critical natural resource issues such as maintaining agricultural productivity and water quality and leverages additional investment from non-Federal sources.

The CTA total will also enable NRCS to continue to address the water pollution problems caused by Animal Feeding Operations (AFO's). This will remain a high priority within the Department and NRCS will increase support to \$118 million, to the extent practicable, for AFO's in 2003 an increase of \$48 million above the level provided in 2002, to help those AFO operators that need technical assistance to develop and implement waste management plans.

Watershed and Flood Prevention Operations (WFPO). The 2003 budget proposes to eliminate funding for all non-emergency watershed-related work. Federal financial support for these types of projects is being reconsidered in view of the ever increasing role that non-Federal Government agencies, including State, local and tribal governments, as well as private organizations, are playing in the delivery of both financial and technical conservation assistance. It also reflects an attempt to shift the responsibility for funding programs with highly localized benefits to those entities and communities that benefit most directly from them. Encouraging this trend will help to better utilize limited Federal resources and improve program access and implementation.

Watershed Surveys and Planning. NRCS works with local sponsoring organizations to develop plans on watersheds dealing with water quality, flooding, water and land management, and sedimentation problems. These plans then form the basis for installing needed improvements. The agency also works cooperatively with State and local governments to develop river basin surveys and floodplain management studies to help identify water and related land resource problems and evaluate alternative solutions. In 2003, this activity will no longer be funded as this activity is turned over to the non-Federal sector and limited Federal resources are redirected to higher priority conservation work.

NATURAL RESOURCES AND ENVIRONMENT

Resource Conservation and Development (RC&D). The purpose of the RC&D program is to encourage and improve the capability of State and local units of government and local nonprofit organizations in rural areas to plan, develop, and carry out programs for RC&D. NRCS also helps coordinate available Federal, State, and local programs. The 2003 budget proposes a level of \$52 million which will support the 348 RC&D areas now authorized as well as any new areas authorized in 2002.

Environmental Quality Incentives Program (EQIP). The purpose of EQIP is to provide flexible technical, educational and financial assistance to landowners that face serious natural resource challenges that impact soil, water and related natural resources, including grazing lands, wetlands, and wildlife habitat management. EQIP was authorized by the 1996 Farm Bill through 2002 at an annual funding level of \$200 million. The President's Budget includes an additional \$73.5 billion in funding over a ten year period for Farm Bill programs. The Budget assumes that a portion of this will be allocated to conservation programs, including funds to support a \$1 billion level for EQIP in 2003.

Wetlands Reserve Program (WRP). WRP is a voluntary program in which landowners are paid to retire cropland from agricultural production if those lands are restored to wetlands and protected, in most cases, with a long-term or permanent easement. Landowners receive fair market value for the land and are provided with cost-share assistance to cover the restoration expenses. The WRP acreage cap was increased to 1,075,000 acres from 975,000 acres by Section 808 of the 2001 Agriculture Appropriations Act. In 2001, approximately 140,000 acres were enrolled which resulted in the program reaching its maximum acreage cap. Any additional acreage beyond the 1,075,000 acre cap in current law would need to be authorized in the new farm bill.

Conservation Reserve Program (CRP). CRP is administered by the Farm Service Agency (FSA) and is described on page 25.

NATURAL RESOURCES AND ENVIRONMENT

FOREST SERVICE (FS)

Program Level (Dollars in Millions)

Program	2001 Actual	2002 Current Estimate	2003 Budget
Discretionary Accounts:			
Forest and Rangeland Research.....	\$242	\$253	\$254
State and Private Forestry.....	324	295	282
National Forest System:			
Land Management Planning.....	82	74	76
Inventory and Monitoring.....	181	181	184
Recreation, Heritage and Wilderness.....	241	257	264
Wildlife and Fisheries Habitat Management.....	134	138	140
Grazing Management.....	36	37	38
Forest Products.....	268	280	278
Vegetation and Watershed Management.....	189	197	198
Minerals and Geology Management.....	50	51	56
Land Ownership Management.....	91	93	96
Law Enforcement Operations.....	78	83	84
Other.....	27	3	16
Total, NFS.....	1,377	1,394	1,430
Wildland Fire Management:			
Preparedness.....	634	646	627
Suppression and Hazardous Fuels Reduction.....	251	491	678
Fire Plain Easements.....	0	0	20
Other Fire Operations.....	1	129	101
Emergency Appropriations.....	1,043	346	0
Total, Wildland Fire Management.....	1,929	1,612	1,426
Capital Improvement and Maintenance.....	537	562	568
Land Acquisition.....	152	152	131
Southeast Alaska Economic Disaster Fund.....	5	0	0
Other Accounts.....	10	10	10
Total, Discretionary Accounts.....	\$4,576	\$4,278	\$4,101
RECAP - Discretionary Accounts:			
Ongoing Appropriations.....	3,533	3,932	4,101
Emergency Appropriations.....	1,043	346	0

NATURAL RESOURCES AND ENVIRONMENT

Program Level			
Program	2001 Actual	2002 Current Estimate	2003 Budget
Mandatory Accounts:			
Permanent Working Funds.....	487	587	582
Trust Funds.....	129	191	194
Total, Mandatory Accounts.....	616	778	776
Total, Program Level.....	\$5,192	\$5,056	\$4,877

The Forest Service (FS), with an estimated 34,165 staff years in 2003, is the largest employer in USDA. The mission of the FS is to sustain the health, diversity and productivity of the Nation's Forests and Grasslands to meet the needs of present and future generations. For 2003, the total program level for FS discretionary activities is \$4.1 billion, an increase of \$23 million above 2002 enacted after adjusting for the \$200 million in one time funding to repay funds advanced from other appropriation accounts for emergency wildfire suppression activities in 2001.

- **Forest and Rangeland Research.** For 2003, the Forest Research budget is proposed at \$254 million, an increase of \$1 million over the 2002 level. The FS maintains one of the world's largest forest research organizations. While it has a very broad mission to develop the knowledge and technology needed to enhance the economic and environmental values of all the Nation's Forests and related industries, it also must support the specific research needs that arise from the FS's prime responsibility of managing the National Forest System (NFS). The budget eliminates low-priority research and Congressional earmarks consistent with other Departmental research agencies and redirects these funds for priority research projects, including an additional \$5 million for biobased products and bioenergy research and an additional \$5 million for a quantitative and analytic data project, and fully implements the Forest Inventory and Analysis Program.

- **State and Private Forestry.** For 2003, funding for State and Private Forestry Programs is proposed at \$282 million, a decrease of \$13 million. The FS makes grants and provides technical assistance to State forestry agencies and other cooperators for protecting forest resources and improving sustainable forest management on nonindustrial private forest lands. Funding is provided for forest pest suppression on all Federal lands and cost-share assistance is made available for pest suppression on private lands. A Cooperative Fire Protection Program provides technical and limited financial support for State wildfire fighting organizations. The Forest Stewardship program provides technical assistance to nonindustrial private landowners for a variety of stewardship practices including tree planting.

The budget includes a new \$12 million emerging pest and pathogen fund. The fund would be used to respond to new introductions of non-native or invasive pests or pathogens, and in limited instances to respond to a significant population increase over the previous year. The Forest Legacy Program is funded at \$70 million, an increase of \$5 million over the enacted level. The Forest Stewardship Program is increased \$16 million, of which \$10 million is for a small-diameter and underutilized wood

NATURAL RESOURCES AND ENVIRONMENT

biomass cooperating fund and \$6 million is to be allocated competitively in priority locations identified by States within national priority areas identified by the FS. The budget does not include funding for the Economic Action Program or the Pacific Northwest Assistance Program. Priority needs for rural development can be addressed through the Department's other rural development programs.

- **National Forest System (NFS).** For 2003, total funding for NFS is proposed at \$1.4 billion, a \$36 million increase over the 2002 enacted level. The FS manages approximately 192 million acres of public land -- an area about 110 percent the size of the State of Texas -- located in 44 States, Puerto Rico, and the Virgin Islands. These lands, known collectively as the NFS, are managed for multiple use on a sustained-yield basis to meet the needs of people today while maintaining or improving the productivity, health, resilience and vigor of forest resources for future generations. The National Forests produce diverse benefits for the American people ranging from outdoor recreation, wildlife, fish and watershed protection, to timber, forage and minerals. The budget includes an additional \$15 million to expedite endangered species consultations, \$5 million to assist in implementation of the National Energy Plan, and \$7 million to expand recreation, heritage and wilderness management. Funding for management of the National Forests includes \$278 million for forest products to support a timber sales offer level of approximately 2.0 bbf, depending on salvage sales volume. In addition, the budget includes a pilot charter forest legislative proposal that establishes forests or portions of forests as separate entities, outside of NFS structure and reporting to a local trust entity for oversight.
- **Restructuring FS to Improve Performance.** The Department is committed to meeting the President's goals of reducing management ranks and providing better service. The FS has developed an initial workforce restructuring plan that includes significant management reforms which will improve service to citizens and increase administrative efficiencies. The restructuring plan will include reducing organizational size and layers, reducing decision making time, redirecting resources to service delivery positions, ensuring accountability, increasing competitive sourcing, and improving financial management.

Specific milestones include: relocating/reassigning 500 Washington office employees in 2003 and 250 regional office employees in 2004; limiting Washington office to 7 percent of the total budget by 2005; focusing the net reduction in employment by filling only half of the expected 2,500 position attrition annually through 2005, and filling those positions at field locations; completing 22 Service-First collocations with the Bureau of Land Management by the end of 2005 (\$10 million is provided in the Capital Improvement and Maintenance appropriation to expedite collocations); reducing indirect expenses by half the 2002 level by 2005; increasing annual competitive sourcing of commercial activities by 10 percent annually through 2005; increasing the amount of cost-share assistance; and increasing contract fire readiness resources 5 percent annually through 2005.

NATURAL RESOURCES AND ENVIRONMENT

Forest Service - National Fire Plan (Dollars in Millions)

Program	2001 Actual	2002 Current Estimate	2003 Budget
State and Private Forestry:			
State Fire Assistance.....	\$25	\$25	\$26
Volunteer Fire Assistance.....	5	5	5
Total, State and Private Forestry.....	30	30	31
Wildland Fire Management:			
Preparedness.....	634	646	627
Suppression.....	160	276	443
Fire Plain Easements.....	0	0	20
Other Fire Operations:			
Hazardous Fuels Reduction.....	91	215	235
Fire Facilities.....	0	10	0
Restoration and Rehabilitation.....	1	5	5
Research and Development.....	0	23	22
Joint Fire Sciences.....	0	8	8
Forest Health Management.....	0	12	12
Economic Action Programs.....	0	12	0
State Fire Assistance.....	0	51	46
Volunteer Fire Assistance.....	0	8	8
Total, Fire Operations.....	92	344	336
Emergency Appropriations.....	1,043	346	0
Total, Wildland Fire Management.....	1,929	1,612	1,426
Total, National Fire Plan.....	\$1,959	\$1,642	\$1,457

- Wildfire Management and the National Fire Plan.** Reducing the risk and consequences of severe wildland fires is a high priority for the Administration. Bipartisan Congressional support has provided the necessary funding critical to implementation of the National Fire Plan. The budget includes approximately \$1.5 billion in funding for the National Fire Plan, a decrease of about \$185 million below the 2002 level. The reduction from 2002 is a result of reducing one-time emergency funding that was enacted to meet short-term needs.

The Wildland Fire Management programs that are involved in the National Fire Plan fund preparedness costs such as the pay and training of permanent fire crews and aircraft availability, the cost of operations to suppress fires, and hazardous fuels reduction activities. The State and Private Forestry Programs in the National Fire Plan provide funds for cooperative fire assistance and increased volunteer fire department readiness. Forest and Rangeland Research activities include: research related to enhancing firefighting capacity and preparedness; restoring landscapes and rebuilding communities; and reducing hazardous fuels and fire risks.

NATURAL RESOURCES AND ENVIRONMENT

The 2003 budget maintains funding for priority activities and is faithful to commitments made to increase efforts to fight wildfires, reduce the risk of fire, and assist communities including: \$235 million for hazardous fuels reduction (allows for the treatment of 1.7 million total acres); \$627 million for preparedness; and \$443 million for suppression activities which provides funding at the 10-year average. The budget also includes \$20 million for a pilot Fire Plain Easement Program. Under the proposed program, State officials, in consultation with the Secretary, would identify areas within and adjacent to NFS lands where potential fire suppression expenditures may exceed the estimated value of the private land. Within identified areas, States or the Secretary may use grant funds to acquire on a "willing seller" basis perpetual easements to permit the implementation of fire suppression strategies, including allowing fires to burn without suppression activities.

MARKETING AND REGULATORY PROGRAMS

MISSION

The mission of Marketing and Regulatory Programs is to expand the domestic and international marketing of U.S. agricultural products and to protect the health and welfare of animals and plants. These programs provide the basic infrastructure to improve agricultural market competitiveness for the overall benefit of both consumers and producers of American agriculture.

The Marketing and Regulatory Programs are administered by three agencies: the Animal and Plant Health Inspection Service (APHIS); the Agricultural Marketing Service (AMS); and the Grain Inspection, Packers and Stockyards Administration (GIPSA).

MARKETING AND REGULATORY PROGRAMS

ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)

Program Level (Dollars in Millions)			
Program	2001 Actual	2002 Current Estimate	2003 Budget
Pest and Disease Exclusion:			
Agricultural Quarantine Inspection (AQI):			
Appropriated.....	\$48	\$58	\$72
User Fees.....	223	270	275
Total, Agricultural Quarantine Inspection.....	271	328	347
Fruit Fly Exclusion and Detection.....	33	39	64
Trade Issues Resolution and Management.....	9	12	12
All Other Pest & Disease Exclusion.....	43	52	56
Total, Pest and Disease Exclusion	356	431	479
Plant and Animal Health Monitoring:			
Animal Health Monitoring and Surveillance.....	75	75	96
Animal and Plant Health Regulatory			
Enforcement.....	7	9	9
Emergency Management System.....	6	4	11
Pest Detection.....	7	7	27
Total, Plant and Animal Health Monitoring.....	95	95	143
Pest and Disease Management:			
Boll Weevil.....	83	80	37
Brucellosis Eradication.....	10	10	9
Emerging Plant Pests.....	21	47	131
Pseudorabies.....	11	4	4
Scrapie.....	3	3	23
Tuberculosis.....	12	9	20
Wildlife Services Operations.....	40	54	69
All Other Pest & Disease Management.....	22	28	43
Total, Pest and Disease Management.....	202	235	336
Animal Care.....	14	16	16
Scientific and Technical Services.....	64	66	78
Contingency Fund.....	3	4	4
Total, APHIS Salaries and Expenses.....	734	847	1,056
Emergency Funding (CCC).....	336	151	0
Homeland Security Supplemental	0	119	0
Trust Funds.....	9	13	14
Buildings and Facilities.....	10	7	13
Total, APHIS Program Level.....	\$1,089	\$1,137	\$1,083

Consistent with the principle of enhancing the agricultural sector's infrastructure, APHIS is responsible for protecting U.S. animal and plant resources from diseases and pests. It also addresses conflicts with wildlife and responds to issues of animal well-being. The major areas of activity are as follows:

MARKETING AND REGULATORY PROGRAMS

- Providing inspection and quarantine services at U.S. ports of entry to prevent the introduction of foreign or exotic diseases or pests;
- Surveying and monitoring the spread of plant pests and animal diseases for Federal, State, local, and private action and to document U.S. agricultural health status for trading partners;
- Administering control and eradication programs to combat outbreaks of plant pests and animal diseases;
- Providing scientific and technical assistance to mitigate damage caused by wildlife to agricultural, industrial, natural resources, or human health;
- Inspecting for humane care and handling of animals used in research, exhibition or the wholesale pet trade; and
- Providing scientific and technical assistance for biotechnology, disease diagnostics, and pest control methods development.

APHIS conducts agricultural pest and disease inspection services at all major international airports, shipping ports and land borders largely to protect against an inadvertent introduction, but also to protect against intentional introduction by terrorists. Much of the agency's work is conducted in cooperation with State and local agencies, private groups, and foreign governments.

APHIS received \$119 million in homeland security supplemental funding in 2002. These funds will be used to: improve effective border protection, in part through the purchase of equipment and the hiring of anti-smuggling personnel; work with the States to expand survey efforts for plant and animal pest and disease detection; and meet enhanced building security and other needs. Of the total, \$14 million will be used to relocate certain biohazard laboratory facilities to a permanent facility on the National Veterinary Services Laboratories campus in Ames, Iowa.

The 2003 budget proposes a program level of over \$1 billion for salaries and expenses, a \$209 million increase over the current 2002 estimate. About \$48 million of this increase is devoted to enhancing agricultural quarantine inspection efforts and other activities to prevent the inadvertent or intentional introduction of foreign animal or plant health threats. Funding is also increased by \$48 million for animal health monitoring and surveillance and other pest detection activities to quickly identify outbreaks that may occur. Resources for veterinary diagnostics are boosted for greater foreign animal disease testing and diagnostic assistance to the domestic poultry industry. Scientific and technical support are boosted by \$12 million. Pest and disease management, including some emergency programs, would receive appropriations of about \$101 million more than in 2002. Some of these activities were funded in 2002 or earlier years by the Commodity Credit Corporation funds. The 2003 budget proposes user fees to recover some of the costs for animal welfare activities.

MARKETING AND REGULATORY PROGRAMS

Agricultural Quarantine Inspection (AQI). The AQI program is the Nation's front-line defense against the introduction of dangerous agricultural pests and diseases from other countries. For example, AQI activities play a key role in protecting the U.S. livestock sector from bovine spongiform encephalopathy (BSE or 'mad cow disease') and foot-and-mouth disease. User fees are charged for inspection of international passengers, aircraft, ships, railcars and trucks. The 2003 budget proposes \$347 million for AQI activities, an increase of \$19 million over the current 2002 estimate for improved point-of-entry inspection programs by providing additional inspectors, expanding canine teams and state-of-the art high-definition x-ray machines at high risk ports-of-entry on the Canadian and Mexican borders, in Hawaii, and elsewhere. Expansion of the global economy and free trade have caused an increase in the volume of passengers and cargo arriving in the U.S. at additional ports of entry, with additional facilities at existing ports of entry. APHIS has an 85 percent success rate in clearing international passengers within 30 minutes or less. Likewise, 85 percent of passengers crossing at U.S. land border points, in non-peak traffic periods, are now cleared through the inspection system in 30 minutes or less.

Plant and Animal Health Monitoring. Experience in Europe from FMD and BSE highlights the need for rapid detection and response to agricultural health threats. While long-standing efforts have kept FMD and BSE out of the United States, vigilant surveillance and monitoring are still needed and would be supported by an increase of about \$21 million. Funding for plant pest detection would increase by \$20 million. Funding to improve the emergency management system, in place to coordinate and implement a quick response to an animal or plant pest or disease outbreak, would be boosted by about \$7 million.

Pest and Disease Management Programs. Once detected, prompt eradication reduces overall control costs. In cases where eradication is not feasible (e.g., gypsy moth), attempts are made to slow the advance, and damages, of the pest or disease. APHIS provides technical and financial support to help control or eradicate a variety of agricultural threats. Successes in boll weevil eradication and brucellosis efforts allow program reductions. Appropriated funds are requested to continue some emergency control and eradication efforts begun in 2002 and prior years. These funds will be used to combat species such as the Asian Long-horned Beetle, citrus canker, Chronic Wasting Disease, plum pox, rabies, scrapie, and tuberculosis. The Secretary retains authority to use funds from CCC to combat any new emergency pest and disease outbreaks. However, the Administration is concerned about rising Federal costs of emergency pest and disease control activities, and expects to seek public comment before the end of the year on ways to share the costs with States and the private sector.

Animal Care. The 2003 budget proposes \$15.2 million for Animal Welfare Act activities and about \$0.5 million for the Horse Protection Act. The budget proposes collection of about \$5 million in new user fees for animal welfare inspections.

Buildings and Facilities. General repairs and maintenance of APHIS buildings would be funded and \$5 million is proposed for construction of a new Animal Import/Export Facility at the Miami International Airport. These facilities are used not only for animal and plant quarantine operations, but animal export inspection services as well.

MARKETING AND REGULATORY PROGRAMS

AGRICULTURAL MARKETING SERVICE (AMS)

Program Level (Dollars in Millions)			
Program	2001 Actual	2002 Current Estimate	2003 Budget
Marketing Services:			
Market News.....	\$30	\$31	\$31
Shell Egg Surveillance and Standards			
Development.....	6	6	7
Global Market Expansion.....	0	1	2
Market Protection and Promotion:			
Pesticide Data Program.....	14	14	15
Microbiology Data Program.....	6	6	6
Organic Certification.....	2	2	1
Biotechnology.....	0	4	4
Other.....	4	5	6
Wholesale Market Development.....	3	3	3
Agricultural Management Assistance Program.....	1	a/	a/
Transportation Service.....	3	3	3
Total, Marketing Services.....	69	75	78
Payments to States.....	1	1	1
Section 32 Funds:			
Marketing Agreements and Orders (MA&O).....	14	15	15
Commodity Purchase Services.....	9	10	11
Total, Section 32 Funds.....	23	25	26
User Fees:			
Perishable Agricultural Commodities Act.....	10	9	9
Commodity Grading Services.....	212	181	188
Agricultural Risk Protection Act Supplemental.....	71	0	0
Total, User Fee Funded Programs.....	293	190	197
Total, AMS Program Level.....	\$386	\$291	\$302
RECAP:			
Ongoing Appropriations.....	\$70	\$76	\$79
User Funded Programs.....	293	190	197
Section 32 Funds.....	23	25	26

a/ The Agricultural Risk Protection Act provides \$10 million for the Agricultural Management Assistance Program to be allocated by the Secretary.

AMS facilitates the marketing of agricultural products in domestic and international markets, while ensuring fair trading practices. AMS programs promote a competitive and efficient marketplace, which benefits consumers and producers. A majority of AMS programs are voluntary and funded by the users of the

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program. AMS has cooperative agreements with the States to administer in whole or in part several AMS programs. Under these agreements, State employees carry out the program. AMS is organized along commodity lines that reflect major segments of the agricultural industry. Headquarters staff are responsible for overseeing the administration of programs. AMS field employees are located in processing plants, at shipping points, produce terminals, auction houses, and warehouses. Field offices, established for supervision and administrative purposes, are located in key production areas.

For 2003, the AMS budget proposes a program level of \$302 million of which \$197 million (65 percent) will be funded by user fees and \$105 million (35 percent) by appropriations and Section 32 funds. The 2003 budget includes the following programmatic changes for AMS:

- +\$1.0 million to improve agriculture infrastructure by expanding global marketing activities for American producers by increasing international market news reporting for grains and feeds, oilseeds, livestock, poultry, dairy, and horticultural markets in Central America, South America, and Asia. Increasing the availability of accurate, timely, and unbiased international market information is required for American producers to be competitive in a global economy.
- +\$0.5 million to improve and expand residue data collection under the Pesticide Data Program. Funding will be provided to States participating in the program to offset increased operational costs and to complete international accreditation for their laboratories. Increased testing will be conducted on foods generally consumed by children and other commodities with significant dietary consumption.
- -\$0.6 million for the accreditation of organic certification agents during the first year of operation under the Organic Certification Program. Federal accreditation of organic certification agents will be user-funded once the initial process has been completed in 2002.
- +\$1.1 million to implement improvements to program infrastructure of the Federal Seed Act Program. The funds will be used to upgrade computer systems used to identify and track seed samples as they progress through the testing process, improve seed testing equipment, and increase the number of scientific staff. Improved productivity will permit AMS to provide increased protection to seed buyers in States that have reduced or eliminated seed testing programs.

Marketing Services. AMS administers a variety of programs that enhance the marketing and distribution of agricultural products. Activities include the dissemination of market information; surveillance of shell egg handling operations; development of grade standards; protection of producers from unfair marketing practices; random testing of commodities for pesticide residues and microbiological contamination; development of organic standards; research and technical assistance aimed at improving efficiency of food marketing and distribution; and, pesticide recordkeeping.

Payments to States. Under this program, AMS provides matching funds to State Departments of Agriculture for projects aimed at improving marketing efficiency, reducing marketing costs for producers, and lowering food costs for consumers.

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Section 32 Funds. Section 32 of the Act of August 24, 1935, authorizes the appropriation for each fiscal year of an amount equal to 30 percent of the gross receipts from duties collected under customs laws of the United States during the preceding calendar year. Unused amounts which do not exceed \$300 million are available for use in the following fiscal year. These funds are used to: encourage exports of agricultural commodities; encourage domestic consumption of such commodities; and to re-establish farmers purchasing power. Section 32 funds are also used to finance the administrative costs associated with the purchase of commodities that support domestic food and nutrition assistance programs, such as the National School Lunch Program. In addition, AMS is responsible for developing the specifications used for food procurement throughout the Federal Government.

Marketing agreements and orders help stabilize market prices and the supply of milk, fruit, vegetables, and certain specialty crops. The orders are administered locally by marketing order committees and market administrators. Local activities are funded through assessments on regulated handlers. Section 32 funds are also used to finance the administration of marketing agreements and orders at the national level.

Perishable Agricultural Commodities Act. This Act prohibits unfair and fraudulent practices in the marketing of perishable agricultural commodities by regulating shippers, distributors, and retailers. Full and prompt payment for fresh fruits and vegetables is a key objective of the program. The program is funded through an annual licensing fee paid by those subject to the Act.

Commodity Grading Services. AMS provides voluntary commodity grading and classing services for dairy products, fresh and processed fruits and vegetables, meat and meat products, poultry, eggs, tobacco, and cotton. AMS recovers the cost of these services through user fees.

MARKETING AND REGULATORY PROGRAMS

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION (GIPSA)

Program Level (Dollars in Millions)			
Program	2001 Actual	2002 Current Estimate	2003 Budget
Salaries and Expenses:			
Grain Inspection Activities.....	\$16	\$17	\$20
Packers and Stockyards Activities.....	19	19	23
Total, Salaries and Expenses.....	35	36	43
Inspection and Weighing User Fees.....	34	42	42
Total, GIPSA Program Level.....	69	78	85
Existing User Fees.....	-34	-42	-42
New User Fees:			
Grain Standardization.....	0	0	-6
Packers & Stockyards Administration.....	0	0	-23
Total, GIPSA Appropriations.....	\$35	\$36	\$14

GIPSA establishes the official U.S. standards for grain, conducts official weighing and grain inspection activities, and grades rice, dry beans and peas, processed grain products, and hops. The agency regulates and monitors the activities of dealers, market agencies, live poultry dealers and packers in order to prevent unfair, unjust discriminatory or deceptive practices in the meat and poultry industries. The agency also audits these entities to ensure the financial integrity of the livestock, meat, and poultry markets.

GIPSA supervises 8 State and 51 designated private agencies for grain inspection and weighing services at domestic locations; provides supervision and other services from 21 field offices; and handles appeals of grain inspection services in Kansas City, Missouri.

For 2003, the budget proposes a program level for salaries and expenses of \$43 million. Of this amount, \$20 million is devoted to grain inspection activities for standardization, compliance, and methods development and \$23 million is for Packers and Stockyards Programs.

The 2003 budget includes two program increases:

- \$3.4 million to provide enhanced information technology applications. With the requested funding, GIPSA would be able to establish and implement e-Government electronic interfaces to allow secure receipt and delivery of electronic data between the agency and its customers. Further, it will enable GIPSA to integrate existing disparate database information systems into a unified system.
- \$2.5 million to help ensure efficient market functioning. Carcass weight and quality are major determinants of price. Carcass quality characteristics, often measured electronically, are an increasingly

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important determinant of carcass value. A portion of the requested increase will allow GIPSA to monitor the livestock and meatpacking industries' use of electronic carcass evaluation technologies. Another portion of the budget increase will enable GIPSA to significantly improve its enforcement of the anti-competitive and other provisions of the Packers and Stockyards Act. Further, additional funds are requested to enable GIPSA to expand its newly established biotechnology program to keep pace with the rapid introduction of new products and the need for commodity certification.

Competition and improving market performance are vital to increasing confidence in the livestock and poultry sectors. For example, continuous, systematic collection and analysis of data to support investigative activities would enable GIPSA to survey procurement practices, trade practices, and competitive conditions and to analyze whether violations of the Packers and Stockyards Act are occurring or likely to occur. GIPSA has directed efforts towards investigating trade practices of packers, market agencies, and dealers to detect fraudulent transactions and to guard against unfair trade practices detrimental to producers and the industry.

The GIPSA budget includes two user fee proposals. New user fees would be charged to recover the costs of developing, reviewing, and maintaining official U.S. grain standards used by the grain industry. Those who receive, ship, store, or process grain would be charged fees estimated to total \$5.6 million to cover these costs. Also, the Packers and Stockyards program would be funded by new license fees of \$23.3 million that would be required of packers, live poultry dealers, stockyard owners, market agencies and dealers, as defined under the Packers and Stockyards Act.

RESEARCH, EDUCATION, AND ECONOMICS

MISSION

The Research, Education, and Economics (REE) mission area is assigned Federal leadership responsibility for the discovery, application, and dissemination of information and technologies spanning the biological, physical, and social sciences through agricultural research, education, and extension activities and economic and statistical analysis. REE responsibilities are carried out by four agencies:

- The Agricultural Research Service (ARS) is the principal in-house research agency in USDA in the area of natural and biological sciences.
- The Cooperative State Research, Education, and Extension Service (CSREES) is the Federal partner with land-grant and non-land grant colleges and universities in carrying out extramural research, higher education, and extension activities.
- The Economic Research Service (ERS) is the principal intramural economic and social science research agency in USDA.
- The National Agricultural Statistics Service (NASS) conducts the Census of Agriculture and provides the official current statistics on agricultural production and indicators of the economic and environmental welfare of the farm sector.

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Research, Education, and Economics Program Level (Dollars in Millions)

Program	2001 Actual	2002 Current Estimate	2003 Budget
Agricultural Research Service:			
Research and Information.....	\$942	\$1,022	\$1,014
Buildings and Facilities.....	74	119	17
Homeland Security Supplemental.....	0	113	0
Agricultural Risk Protection Act.....	18	0	0
Trust Funds.....	30	35	35
Total, Agricultural Research Service.....	1,064	1,289	1,066
Cooperative State Research, Education, and Extension Service:			
Research and Education Activities.....	518	556	566
Extension Activities.....	434	441	421
Integrated Activities.....	43	45	45
Initiative for Future Agriculture and Food Systems.....	120	0	0
Fund for Rural America.....	10	0	0
Agricultural Risk Protection Act.....	33	0	0
Total, Cooperative State Research, Education, and Extension Service.....	1,158	1,042	1,032
Economic Research Service.....	74	76	82
National Agricultural Statistics Service.....	109	122	149
Total, REE.....	\$2,405	\$2,529	\$2,329
RECAP:			
Ongoing Appropriations.....	\$2,224	\$2,416	\$2,329
Initiative for Future Agriculture and Food Systems.....	120	0	0
Agricultural Risk Protection Act.....	51	0	0
Fund for Rural America.....	10	0	0
Homeland Security Supplemental.....	0	113	0

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AGRICULTURAL RESEARCH SERVICE (ARS)

**Program Level
(Dollars in Millions)**

Program	2001 Actual	2002 Current Estimate	2003 Budget
Research and Information:			
Soil, Water and Air Sciences.....	\$98	\$92	\$109
Plant Science.....	300	333	368
Animal Science.....	169	174	198
Commodity Conversion and Delivery.....	177	177	194
Human Nutrition.....	79	77	79
Integration of Agricultural Systems.....	35	39	40
Information and Library Services.....	21	20	23
Repair and Maintenance.....	18	18	18
2001 Earmarks not continued in 2003.....	34	34	0
2002 Earmarks not continued in 2003.....	0	55	0
Reduction to Base Funding for Lower Priority Work	0	0	-15
Collaborative Research Program.....	11	3	0
Agricultural Risk Protection Act.....	18	0	0
Homeland Security Supplemental.....	0	40	0
Total, Research and Information.....	960	1,062	1,014
Buildings and Facilities.....	74	119	17
Homeland Security Supplemental.....	0	73	0
Total, Buildings and Facilities.....	74	192	17
Trust Funds.....	30	35	35
Total, ARS.....	\$1,064	\$1,289	\$1,066
RECAP:			
Ongoing Appropriations for Research and Info.....	\$942	\$1,022	\$1,014
Ongoing Appropriations for Buildings and Facilities.....	74	119	17
Trust Funds.....	30	35	35
Agricultural Risk Protection Act.....	18	0	0
Homeland Security Supplemental.....	0	113	0

ARS provides access to scientific data, conducts research to develop new scientific knowledge, and transfers technology to the private sector to solve technical agricultural problems of broad scope and high national priority. ARS houses the National Agricultural Library (NAL), the Nation's major information resource in the food, agricultural and natural resource sciences. ARS has over 100 locations throughout the U.S. and abroad. Beltsville, Maryland is the site of the world's largest multi-disciplinary agricultural research facility. The ARS budget is comprised of seven programmatic objectives as follows:

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- **Soil, Water, and Air Sciences.** This area of research emphasizes development of a sound scientific basis to provide advanced technical assistance and education to producers to manage and conserve soil, water, and air resources to optimize agricultural productivity and environmental quality.
- **Plant Science.** Ongoing ARS research addresses a wide range of crop production issues, including pest and disease management through use of biologically-based technologies, plant genome mapping, and the maintenance and improvement of plant germplasm.
- **Animal Science.** Research in this program is directed toward solving major issues faced by producers and consumers of meat and poultry products. Areas of emphasis include disease prevention, genetics and genome mapping, animal reproduction, food quality, and safety.
- **Commodity Conversion and Delivery.** This research focuses on post-harvest food safety and quality concerns, development of new food and industrial uses for agricultural commodities, and elimination of barriers to the export of commodities.
- **Human Nutrition.** Six ARS centers conduct research to enhance the understanding of nutritional needs of diverse populations, including children, the elderly, pregnant and lactating women, and healthy adults. Results of this work identify the impact of nutrients in reducing chronic disease risks and predicting health outcomes.
- **Integration of Agricultural Systems.** Research in this category includes projects to integrate the results of specific programs into production systems which are sustainable, environmentally-benign, and profitable for farmers and ranchers. Projects include the development of models and decision support systems to assist producers in making production decisions and managing natural resources.
- **Information and Library Services.** NAL provides access to scientific agricultural data through its online database and CD-Roms. NAL provides agricultural information electronically and is expanding efforts to catalog, manage, and disseminate agriculture-related data through the Internet.

The ARS budget includes over \$1 billion to support ongoing research and activities in high priority areas. Within that total, the agency will discontinue all projects earmarked by Congress in 2001 and 2002 for a savings of about \$90 million, make selective reductions in base programs of \$15 million, and expand selected high priority areas described below. An increase of \$35 million is included for increased pay costs, including nearly \$19 million for restoration of 2002 pay costs not funded by Congress. The ARS budget also proposes \$17 million to fund high priority modernization or construction projects at four locations. The 2003 budget proposes increased funding for the following priority research areas:

- **Emerging, Reemerging, and Exotic Diseases of Animals (\$8 million).** An increase of \$8 million is provided for research on new prevention and control strategies for emerging, reemerging, and exotic disease of animals. Program initiatives in 2003 will target Bovine Spongiform Encephalopathy (BSE) or “mad cow disease,” Foot and Mouth Disease (FMD), Marek’s Disease, Porcine Respiratory Disease Complex, and Exotic Newcastle Disease in poultry. ARS research will focus on improving

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rapid and accurate detection of animal diseases and pathogens. This research will develop diagnostic and vaccine technologies and enhance understanding of disease progression, leading to improved management and control strategies for disease outbreaks to prevent economic losses and maintain animal well-being.

- **Emerging and Exotic Diseases of Plants (\$5.4 million).** The budget includes an increase of \$5.4 million to support research on emerging, reemerging, and exotic diseases of plants. ARS research will provide the technology to identify, characterize, control, and prevent exotic plant diseases, as well as address emerging diseases offshore. Exotic and emerging plant diseases, such as citrus canker, seriously threaten agricultural commodities and crops and the work of ARS in this area will minimize or prevent the establishment of pathogens in the U.S. and will increase the market quality and product longevity of these crops and commodities.
- **New Uses for Agricultural Products (\$9 million).** The President's National Energy Plan proposes to advance new, environmentally friendly technologies to increase energy supplies and encourage use of cleaner, more efficient energy. The Biomass Research and Development Act of 2000 also emphasizes the need to create new biobased industrial products, improve processing technology, and to reduce the costs of conversion technologies. ARS research in this area will be coordinated with other Federal agencies and will focus on the development of industrial and bioenergy products that offer the opportunity to meet environmental needs and expand market opportunities. This research will lead to greater demand for agricultural commodities and new opportunities for business development and employment growth in rural America. Finally, these efforts will enhance U.S. security by reducing dependence on imported oil and other materials.
- **Global Climate Change (\$6.5 million).** Climate change affects the Earth's atmospheric, hydrological, and biological systems and the President has announced major initiatives to address global climate change. Agriculture is vulnerable to these environmental changes, but the agricultural sector offers significant opportunities to mitigate the increase of greenhouse gasses in the atmosphere. ARS research in this area is coordinated with the research of other Federal agencies and will focus on measuring and modeling carbon sequestration and storage by agricultural systems, assessing and managing risks to agricultural production and water supplies due to weather variability, quantifying the exchange of greenhouse gasses between the atmosphere and the soil in crop and grazing systems, and managing agricultural systems to minimize trace gas emissions. This research will provide information on balancing carbon storage and agricultural productivity in different agricultural systems across the Nation, in addition to providing information on how to best manage livestock, manures, fertilizers, biological nitrogen fixation, and soils to minimize emissions and increase sinks for greenhouse gasses.
- **Agricultural Genomes (\$6.9 million).** Formidable challenges facing the U.S. agricultural systems, such as environmental regulations that complicate agricultural production, new pests and pathogens, and diminishing or inaccessible genetic resources, can only be met by harnessing the inherent potential of genetic resources. An increase of about \$3 million will support the sequencing of plant and crop genomes, including maize, legumes, microbes, and insects. An increase of nearly \$4 million will support research to map and identify genes that influence resistance, reproduction, nutrition, and other

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economically important production traits in livestock and poultry. Funds will support efforts to partially develop a “rough draft” of the cattle, swine, and chicken genomes. These initiatives will provide the means for maintaining and enhancing the quality and safety of the U.S. food supply and will increase agricultural competitiveness in global markets.

- **Biosecurity (\$5 million).** Because of its size, complexity, and integration, U.S. agriculture is uniquely vulnerable to highly infectious diseases and pests, particularly foreign diseases. ARS research will focus on developing more sensitive and discriminating on-site rapid pathogen detection and identification methodologies for food threat pathogens. Additionally, research will provide advanced tools to identify the specific genetic attributes of a pathogen, to aid in forensics, studies in pathogenesis, and modeling to determine disease origin, prevalence and spread. Bioinformatics and genome sequence analysis and mapping will be integral to these studies. Researchers will develop rapid and simple diagnostic tools that field staffs can use to identify the causes of disease outbreaks and to prevent future spread. These tests will improve global disease and pest surveillance and enhance international trade, as well as enhancing U.S. food security and strengthening the Nation’s competitiveness in global markets.
- **Agricultural Information Services (\$2 million).** The NAL serves as a resource for researchers in the Federal, land-grant, and partnership community as well as serving as one of four national libraries. NAL will develop a National Digital Library for Agriculture (NDLA), which will improve access to electronic resources, delivery of digital information to USDA customers, and archiving of USDA digital publications. NAL will work in concert with Land Grant Universities, Federal agencies, nonprofit organizations, and others through the Agriculture Network Information Center (AgNIC). Information technology to manage and deliver information will be continued as well. These initiatives will enhance NAL’s modern information technologies, increase the volume and quality of information services, reduce the cost of information services, and develop specialized collections.
- **Homeland Security Supplemental.** The 2002 emergency supplemental appropriations provided \$40 million to ARS for facility and operational security needs and biosecurity research. Congress has directed that at least \$21.7 million be used for operational and facility security. Funds are also available for expanded efforts focusing on biosecurity research issues. The 2003 budget proposes an increase of \$5 million for biosecurity research, described above.

Buildings and Facilities. Innovative research depends upon the availability of modern facilities. Many of the major ARS facilities were constructed prior to 1960, are functionally obsolete and need major modernization to bring them up to current health and safety code requirements. A total of \$16.6 million is proposed in 2003 at four locations as follows:

- **Beltsville, Maryland (\$4.2 million).** A \$4.2 million increase is for repairs needed due to tornado damage at the Henry A. Wallace Beltsville Agricultural Research Center.
- **Plum Island, New York (\$2 million).** A \$2 million increase is provided for continued modernization of facilities at the Plum Island Animal Disease Center.

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- **National Agricultural Library (\$7.4 million).** A \$7.4 million increase is provided to continue addressing major facility deficiencies, including renovation of the ground floor, replacement of bathrooms and domestic water piping, replacement of the baseboard heating system, completion of the electrical distribution system upgrade, and minor miscellaneous projects.
- **U.S. National Arboretum (\$3 million).** A \$3 million increase is provided to complete construction of the remaining phases of the greenhouse complex renovation and to fully fund the planning, design, and construction of the Hickey Run stream restoration.
- **Homeland Security Supplemental.** Funds totaling \$73 million are included in the 2002 emergency supplemental appropriations for two research locations – the Ames, Iowa animal disease research complex and the Plum Island Animal Disease Center in Greenport, New York. Specific work to be accomplished with these funds is currently under review.

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COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE (CSREES)

**Program Level
(Dollars in Millions)**

Program	2001 Actual	2002 Current Estimate	2003 Budget
Research and Education.....	\$507	\$544	\$554
Extension Activities.....	434	441	421
Integrated Activities.....	43	45	45
Native American Endowment Fund and Interest.....	8	9	9
Subtotal, Programs.....	992	1,039	1,029
Agricultural Risk Protection Act.....	33	0	0
Community Food Projects.....	3	3	3
Fund for Rural America.....	10	<u>a/</u>	<u>a/</u>
Initiative for Future Agriculture and Food Systems.....	120	<u>b/</u>	<u>b/</u>
Total, CSREES.....	<u>\$1,158</u>	<u>\$1,042</u>	<u>\$1,032</u>

RECAP:

Ongoing Appropriations.....	\$992	\$1,039	\$1,029
Agricultural Risk Protection Act.....	33	0	0
Community Food Projects.....	3	3	3
Fund for Rural America.....	10	<u>a/</u>	<u>a/</u>
Initiative for Future Agriculture and Food Systems.....	120	<u>b/</u>	<u>b/</u>

a/ In 2001, a total of \$30 million was available from the Fund for Rural America, to support research, extension, and education grants and rural development activities, of which \$10 million was used to support research, education, and extension grants. The 2002 Agriculture Appropriations Act blocks the use of these funds in 2002. The 2003 budget proposes to block the \$160 million that is available in 2003.

b/ The 2002 Agriculture Appropriations Act blocks the use of these funds in 2002. The 2003 budget proposes to block the \$240 million that is available in 2003 under current law.

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Cooperative State Research, Education, and Extension Service Program Level (Dollars in Millions)

Program	2001 Actual	2002 Current Estimate	2003 Budget
Formula Grants:			
Smith-Lever 3 (b&c) Formula.....	\$276	\$276	\$276
Hatch Act.....	180	180	180
1890 Research and Extension.....	61	66	66
Cooperative Forestry.....	22	22	22
Animal Health.....	5	5	5
Total, Formula Grants.....	544	549	549
National Research Initiative Competitive Grants (NRI).....	106	120	240
Selected Integrated Activities:			
Water Quality.....	13	13	13
Food Safety.....	15	15	15
Rural Development Centers.....	1	2	2
International Science and Education Grants.....	0	0	1
Critical Issues.....	<u>c/</u>	<u>c/</u>	1
Pest Control/Management Activities:			
Regional Pest Management Centers.....	5	5	5
Crops at Risk from FQPA Implementation.....	1	1	1
FQPA Risk Mitigation Program for Major Food Crop Systems.....	5	5	5
Methyl Bromide Transitions Program.....	2	2	2
Organic Transition Program.....	<u>c/</u>	1	<u>c/</u>
Pest Management and Control.....	25	26	26
Total, Pest Control/Management.....	38	40	39
Sustainable Agriculture Research and Extension.....			
Higher Education Programs.....	27	27	29
Native American Endowment Fund and Interest.....	8	9	9
Indian Reservation Extension Agents.....	2	2	2
1890 Facilities.....	12	13	13
Extension Services at 1994 Institutions.....	3	3	3
1994 Institutions Research Program.....	1	1	1
Expanded Food and Nutrition Education (EFNEP)..	59	59	59
Youth Farm Safety Education and Certification.....	1	1	1
Other Research Grants b/.....	90	103	7
Other Extension Programs.....	18	20	12
Federal Administration b/.....	41	45	20

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Cooperative State Research, Education, and Extension Service Program Level (Dollars in Millions)

Program	2001 Actual	2002 Current Estimate	2003 Budget
Agricultural Risk Protection Act:			
Mitigating Greenhouse Gases, research grants.....	15	0	0
Tobacco Use for Medicinal Purposes.....	3	0	0
Soil Science and Forest Health Management.....	10	0	0
Risk Management.....	5	0	0
Community Food Projects.....	3	3	3
Fund for Rural America.....	10	<u>a/</u>	<u>a/</u>
Initiative for Future Agriculture and Food Systems.....	120	<u>d/</u>	<u>d/</u>
Total, CSREES.....	<u>\$1,158</u>	<u>\$1,042</u>	<u>\$1,032</u>
RECAP:			
Ongoing Appropriations for CSREES.....	\$992	\$1,039	\$1,029
Agricultural Risk Protection Act.....	33	0	0
Community Food Projects.....	3	3	3
Fund for Rural America.....	10	<u>a/</u>	<u>a/</u>
Initiative for Future Agriculture and Food Systems.....	120	<u>d/</u>	<u>d/</u>

a/ In 2001, a total of \$30 million was available from the Fund for Rural America, to support research, extension, and education grants and rural development activities, of which \$10 million was used to support research, education, and extension grants. The 2002 Agriculture Appropriations Act blocks the use of these funds in 2002. The 2003 budget proposes to block the \$160 million that is available in 2003.

b/ Reductions in 2003 are due mainly to elimination of Congressional earmarks for specific projects and locations.

c/ Less than \$0.5 million.

d/ The 2002 Agriculture Appropriations Act blocks the use of these funds in 2002. The 2003 budget proposes to block the \$240 million that is available in 2003 under current law.

CSREES has primary responsibility for providing linkages between the Federal and State components of a broad-based, national agricultural research, extension, and higher education system. CSREES provides funding for projects conducted in partnership with the State Agricultural Experiment Stations, State Cooperative Extension Systems, land-grant universities, colleges and other research and education institutions. Federal funds are distributed to universities and institutions by statutory formula funding, competitive awards, and special grants. CSREES is responsible for administering USDA's primary competitive research grants program, the National Research Initiative (NRI), which supports investigator-initiated research with strong potential to contribute to major breakthroughs in agricultural science.

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The CSREES budget proposal, which totals just over \$1 billion, provides funding for ongoing programs, and key provisions of the Agricultural Research, Extension, and Education Reform Act of 1998 (the Reform Act). The NRI is the Nation's premier competitive peer reviewed research program for fundamental and applied sciences in agriculture. An increase of \$120 million is provided for the NRI, which will contribute to research on issues such as food safety, biobased products, global change, human nutrition, invasive species, emerging diseases, and genetic resources. Provisions of the 2002 Agriculture Appropriations Act prohibit the Department from administering the Initiative for Future Agriculture and Food Systems (IFAFS). The budget reflects a continuation of this policy for fiscal year 2003.

The 2003 budget proposes to maintain a number of programs at the 2002 level, many of which received additional funding in 2002. Further, the budget terminates funding for earmarked add-ons provided by Congress in 2002. Larger programs receiving increased and continued support in 2002 include:

National Research Initiative (NRI). Producers and consumers of agricultural products – which include every citizen – face a wide array of challenges on a daily basis, including growing concerns over potential terrorist threats to the safety of the food supply. Producers are contending with new pest and disease threats, stronger competition in world markets, growing awareness and concern over environmental issues and rising input costs. Consumers also face new threats to food safety and are increasingly concerned with methods used to produce food and with nutrition issues. The President's budget recognizes that a significant boost in research is needed now to provide the technology to address this list of challenges. A proposed doubling of the NRI will provide increased resources which will be targeted to the most highly qualified projects to address critical issues in key priorities:

- **New and emerging pests and diseases of crops and livestock.** Research will focus on developing a comprehensive approach to preventing and controlling pests and emerging and reemerging diseases, such as BSE and FMD. Investment in this work will yield new solutions to disease problems that will permit producers to avoid destruction of infected livestock and crops and thereby avoid the disastrous economic consequences of such actions.
- **Agricultural genomics.** The NRI will also fund research on technological advances that can provide the information to predict the function of an organism's genes, as well as its biological behavior in different environments and conditions. Enhanced genetics will preserve genetic diversity, address new and reemerging disease and pest threats, and improve the productivity, efficiency, and quality of animal and plant products. Genetic advances will spur markets for new plant and animal products that are healthier for consumers. Finally, the economic viability of current agricultural enterprises will be protected from disease and pest threats, as well as foreign competition.
- **Food and agricultural products.** Researchers will investigate the nutritional value and functional properties of current commodities and newly developed products that will contribute to economic viability and human health. New value-added products will be developed to both promote health and increase consumption of current agricultural products, enabling U.S. producers to expand markets globally. Consumer behavior and food choice will be studied, and science will advance to allow U.S. agriculture to translate technological advantages into food and agricultural products.

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- **Management of agricultural operations.** Researchers will also examine the management of various agricultural operations, particularly mid-size and small-size farms to assess the economic and agronomic management issues that might vary according to the scale and size of the operation. Systems research on innovative alternative agricultural practices and technologies used for agricultural enterprises will also fall under the efforts of the NRI to understand the best methods for translating new technologies into practice. Further, the scope of the NRI will be expanded to address the need for fundamental research and new technologies that control emissions and odors from agricultural operations.
- **Expanded graduate training.** NRI funds will also be used to support new and innovative methods of promoting interdisciplinary research through graduate training. Funds will be used to establish new, innovative models for graduate education and training for collaborative research and technology transfer, as well as to facilitate greater diversity in student participation. These efforts will contribute to the development of a diverse, globally-aware agricultural research and technology transfer workforce.

Formula Funds. Even in a constrained budget, support provided for research and extension formula programs is continued at the 2002 appropriated level. CSREES works closely with partner institutions through an annual planning process and other means to target funds to priority issues facing agricultural producers, natural resource managers, and rural residents.

Pest Control/Pest Management Programs. Efforts in the Pest Management Alternatives Program and Integrated Pest Management (IPM) Decision Support System are continued at the 2002 level, as is the IR-4 Minor Crop Pest Management Program, which received additional funds in 2002.

Higher Education Programs. The budget provides a net increase of \$2.4 million for Higher Education Programs which will primarily support Institution Challenge Grants and Graduate Fellowship Grants. The increases provided for Higher Education Programs will ensure the continuation of a cadre of highly trained and qualified scientists, engineers, managers, and technical specialists for the agricultural sector.

Initiative for Future Agriculture and Food Systems. This program of competitive awards for multi-functional projects to address emerging agricultural issues was enacted in the Reform Act. Direct transfers from the Treasury to the Secretary of \$120 million per year have been made to support awards made in 2000 and 2001. A provision of the 2002 Agriculture Appropriations Act blocks the transfer of funds that would otherwise be available under current law to support new grants in 2002, essentially providing savings by decreasing mandatory budget expenditures. The Administration's recommendation for 2003 spending under current law continues this policy. However, as described above, the budget proposes to double funding for the NRI to a total level of \$240 million in 2003.

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ECONOMIC RESEARCH SERVICE (ERS)

**Program Level
(Dollars in Millions)**

Program	2001 Actual	2002 Current Estimate	2003 Budget
Economic Analysis and Research.....	\$74	\$76	\$82

The Economic Research Service (ERS) provides economic and other social science information and analysis on agriculture, food, environment, and rural development. ERS supplies such information and analyses for use by the general public and to help policymakers develop, administer and appraise agricultural and rural policies and programs.

The ERS budget reflects a net increase of \$6.1 million including \$1.4 million for pay cost increases, and increases to support the following priority efforts:

Agricultural Resources Management Survey (ARMS) (\$2.7 million). The increase will support joint efforts with the National Agricultural Statistics Service (NASS) to improve this annual national survey of farms, which provides data and analysis to characterize the economic conditions and rapidly changing structure of the agricultural sector. ARMS is the primary source of information about the financial condition, production practices, use of resources, and economic well being of America's farmers. As the principal source of data, ARMS makes it possible for ERS to answer key questions from Congress, Executive Branch officials, and other decision makers about the differential impacts of alternative policies and programs across the farm sector and among farm families. As the importance of precision and reliability in the ARMS data is fundamental, the budget increase will fund enlarged sample sizes and commodity coverage for each year, generating more dependable and statistically defensible results. Increased funding will also improve survey response rates through outreach initiatives and training of survey personnel. ERS will use a portion of the funds for a web-based data dissemination program, which will provide information users with improved access to ARMS data. The NASS budget includes a proposed increase of \$4.6 million to fund the data collection portion of ARMS (see page 88).

Initiative on the effects of Invasive Pests and Diseases on the Competitiveness of U.S. Agriculture (\$2 million and 4 staff years). The results of this initiative will provide information that can be used to help guide resource allocation for efforts to exclude and control invasive species. A major portion of this work will be to assess cost effective means of the public sector in reducing economic risks to U.S. agriculture from invasive species while preserving economic gains from trade and travel. This work will be conducted in cooperation with other USDA agencies including the Animal and Plant Health Inspection Service (APHIS) and the Agricultural Research Service (ARS) to access biological and risk assessment expertise, obtain data about invasive species and programs, develop methods, and conduct

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analyses. Important components include: the economic effects of invasive species on crop and livestock production, commodity markets, trade, and regional economies, and the benefits and costs of alternative policies and programs to protect against the introduction of and/or to eradicate those species. Funding will provide for staff to conduct research and address policy issues, for data collection, and for cooperative agreements with universities, where resources on invasive species problems and economic issues can be garnered and shared.

NATIONAL AGRICULTURAL STATISTICS SERVICE (NASS)

Program Level (Dollars in Millions)			
Program	2001 Actual	2002 Current Estimate	2003 Budget
Agricultural Estimates.....	\$88	\$91	\$102
Statistical Research and Service.....	5	5	5
Census of Agriculture.....	16	26	42
Total, NASS.....	\$109	\$122	\$149

The mission of National Agricultural Statistics Service (NASS) is to provide timely, accurate, and useful statistics in service to U.S. agriculture. NASS statistics provide the information necessary to keep agricultural markets stable and efficient and help maintain a “level playing field” for all users of agricultural statistics.

The budget reflects a net increase of \$27.2 million, which includes funding to cover pay and benefit costs and \$24.8 million and 170 staff years for the following priority activities:

Agricultural Resources Management Survey (ARMS) (\$4.6 million and 35 staff years). A joint initiative of ERS and NASS, this funding will improve ARMS, which provides data and analysis to characterize the economic conditions and rapidly changing structure of the agricultural sector. ARMS is USDA’s primary vehicle for information on a broad range of issues about farm sector financial conditions and agricultural resource use. The increase will significantly strengthen the reliability of the ARMS data by increasing both the sample size and the level of detail covered by the surveys. With the increasing costs of data collection, particularly over the past five years, additional funding will improve the quality of the data produced and support research efficiencies, which integrate the ARMS program with the Census of Agriculture and other data collection efforts. The ERS budget includes a proposed increase of \$2.7 million to fund a portion of ARMS (see page 87).

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The Census of Agriculture (\$15.5 million and 117 staff years). The census provides comprehensive data on the agricultural economy with national, State, and county level details. The increase reflects the cyclical change in statistical activities associated with conducting the 2002 Census of Agriculture, with 2003 being the peak year in the 5-year cycle. Funding will support labeling and sorting operations for roughly 3 million mail packages, mailing and follow up data collection activities, and the processing and analysis of all census of agriculture records. NASS will also purchase and install new equipment and implement the software needed to effectively process, retrieve and view scanned questionnaire images. Furthermore, NASS will contract with the Commerce Department's National Processing Center for functions not supported by NASS's infrastructure, thereby minimizing costs and providing faster, more efficient processing of the large census workloads.

Locality Based Agricultural County Estimation Program (\$1 million and 7 staff years). Funding will be used to develop an annual integrated locality based agricultural county/small area estimation program. Private industry, Federal, State, and local governments and universities currently use these statistics. The Risk Management Agency (RMA) uses these statistics in indemnity calculations for Group Risk Plans and the Group Risk Revenue Plans as part of the risk rating process, which has an impact on premium levels paid by producers. In addition, agriculture input suppliers, agricultural marketing firms, and transportation companies who provide billions of dollars of goods and services to farmers and ranchers, track county level data on livestock inventories and crop acreage yields and production. The funding will improve the statistical integrity of the data gathered by increasing data collection and creating a probability based sampling plan. The increase will also standardize data collection and review, and facilitate NASS remote sensing technology to provide additional information at county and small area levels.

NASS Computer Security and E-Government (\$3.7 Million and 11 staff years). The increase includes \$3 million to support e-Government data dissemination and electronic data reporting for NASS to initiate actions to address the Government Paperwork Elimination Act (GPEA) mandate. GPEA requires the acquisition and use of information technology, including alternative information technologies that provide for electronic submission, maintenance, or disclosure of information as a substitute for paper and for the use and acceptance of electronic signatures. Funding will allow NASS to build a database infrastructure in support of over 100 different surveys each year. The infrastructure will integrate paper and web instruments in developing and maintaining questionnaires to promote data handling efficiencies and standardization. By 2006 most NASS self-administered surveys will be available electronically and the 2007 Census of Agriculture will be electronically collected. The increase also includes \$0.7 million to enhance the NASS computer security and architecture systems to allow implementation of firewalls at critical access points and ensure that confidential respondent information is safeguarded. The enhancement will augment existing auditing and monitoring capabilities. Billions of dollars in global commodity trade depend on NASS statistics, making computer security essential to protect statistics against premature access and modification.

DEPARTMENTAL ACTIVITIES

DEPARTMENTAL OFFICES AND CENTRALIZED MANAGEMENT ACTIVITIES

Program Level (Dollars in Millions)			
Program	2001 Actual	2002 Current Estimate	2003 Budget
Departmental Offices:			
Office of the Secretary.....	\$11	\$12	\$14
Departmental Administration Staff Offices.....	41	43	48
Outreach for Socially Disadvantaged Farmers a/.....	6	3	3
Office of the Chief Financial Officer.....	5	6	8
Office of the Chief Information Officer.....	11	11	32
Office of General Counsel.....	35	36	41
Office of Communications.....	9	9	10
Executive Operations:			
Office of the Chief Economist.....	8	8	13
National Appeals Division.....	13	14	15
Office of Budget and Program Analysis.....	7	7	8
Total, Departmental Offices.....	146	149	192
Centrally Financed Activities:			
Homeland Security Funding	0	81	28
Streamlining for Service Center Agencies.....	0	0	5
Agriculture Buildings and Facilities	61	61	71
Hazardous Materials Management.....	16	16	16
Corporate Information Systems	0	0	21
Trust Funds/Other.....	4	1	1
Total, Centralized Activities.....	81	159	142
Total, Departmental Offices and Centralized Activities.....	\$227	\$308	\$334

a/ Includes \$3 million which was provided to this program in 2001 from the Fund for Rural America.

The Departmental offices and Executive Operations provide leadership, coordination and support for all administrative and policy functions of the Department. These offices are vital to USDA's success in providing effective customer service and efficient program delivery. Salaries and benefits often comprise 90 percent or more of these offices' budgets, leaving them little flexibility to reduce other expenditures needed to continue their operations. The 2003 budget proposes funding needed to ensure that these offices maintain the staffing levels needed to provide management leadership, oversight and coordination.

The budget supports several initiatives in support of the President's Management Agenda as well as Departmentwide and agency-specific reforms. All of these efforts are crucial to making the Department

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an efficient, effective and discrimination-free organization that delivers the best return on taxpayers' investments. Highlights of activities included in this request follow.

The **Office of the Secretary**, assisted by the Deputy Secretary, Under Secretaries and Assistant Secretaries, and members of their immediate staffs, directs and coordinates the work of the Department. This involves providing policy direction for all areas of the Department and maintaining liaison with the Executive Office of the President, members of Congress and the public on all matters pertaining to Departmental policy.

Departmental Administration provides overall direction, leadership and coordination for the Department's management of human resources, civil rights, conflict prevention and resolution, ethics, outreach, property, procurement, emergency preparedness, and the regulatory hearing and administrative proceedings conducted by the Administrative Law Judges, the Judicial Officer, and the Board of Contract Appeals. Key funding increases include: 1) \$2 million for an initiative to reduce the backlog of employment and program civil rights complaints in the Department; 2) \$2.2 million to speed and improve processing of personnel security clearances and meet other demands for emergency and crisis planning in light of the September 11 attacks; and 3) \$0.2 million to provide leadership and oversight for the Administration's procurement initiatives, including increasing the use of performance-based contracting.

The **Outreach for Socially Disadvantaged Farmers Program** authorized by section 2501 of the Food, Agriculture, Conservation, and Trade Act of 1990, provides grants to organizations in order to increase socially disadvantaged farmers' and ranchers' participation in USDA programs and to enhance the success of their operations by providing outreach and technical assistance. This program is administered by the Office of Outreach within Departmental Administration. The President's budget continues to fund these grants at the 2002 appropriated level.

The **Office of the Chief Financial Officer (OCFO)** provides overall direction and leadership in the development of financial management policies and systems and produces the Department's consolidated financial statements and strategic and annual plans. It also oversees the provision of administrative accounting, payroll and related systems for USDA and other agencies through operation of the National Finance Center (NFC). The budget contains an additional \$2.5 million to ensure this office can provide adequate leadership and oversight of the Department's financial performance and ensure that the Department receives a clean opinion on its financial statements in 2003. The increase will provide staff and contractor support to improve financial accountability and reporting, improve performance planning and reporting, develop a cost accounting methodology to more accurately determine the full cost of programs and guide the Department's contribution to the Administration's competitive sourcing initiative.

The **Office of the Chief Information Officer (OCIO)** provides policy guidance, leadership and coordination to the Department's information management, technology investment and cyber security activities in support of USDA program delivery. OCIO also operates the National Information Technology Center (NITC), which is a centralized computing facility providing applications and technical support to USDA agencies, and the Telecommunications Services and Operations (TSO) organization, which is responsible for developing USDA telecommunications policy and guidance leading the design of and

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migration to the Department's future corporate telecommunications network. TSO also manages the current network, and provides local telecommunications and computer support services throughout metropolitan Washington D.C. In addition, OCIO is responsible for the management of the Common Computing Environment (CCE) for the Service Center agencies, which is discussed separately. An increase of \$15 million is included to complete an Enterprise Architecture, which is a key planning and risk management tool for information technology (IT) investments. An increase of \$6 million is included to focus on information survivability and to assist agencies in establishing cost-effective security controls.

Legal oversight, counsel, and support for the Department's programs is provided by the **Office of the General Counsel**. The budget provides an increase of \$5 million to continue these services and address issues of increasing importance and workload, such as animal disease programs, food safety, natural resources, civil rights and trade practices.

The Department's **Office of Communications** provides leadership and coordination for the development of communications strategies for the Department and plays a critical role in disseminating information about USDA's programs to the general public. The proposed increase is for the USDA Webpage redesign to enhance access to USDA information, IT security enhancements, and outreach.

The **Office of the Chief Economist (OCE)** advises the Secretary and Department officials on the economic implications of Department policies, programs and proposed legislation and serves as the focal point for the Nation's economic intelligence, analysis and review related to domestic and international food and agriculture markets. An increase of \$4.3 million is included for a Website for commodity market information to enhance access by thousands of users; for expansion of the weather information system, including drought mitigation support; and for collection and analysis of critical farm energy data.

The **National Appeals Division (NAD)** conducts evidentiary administrative appeal hearings and reviews arising from program operations of the Rural Development mission area, Farm Service Agency, Risk Management Agency, and the Natural Resources Conservation Service. An increase of \$0.5 million is requested to replace NAD's aging information technology to support e-Government efforts and better management of cases.

The **Office of Budget and Program Analysis** provides analyses and information to the Secretary and other senior level policy officials to support informed decisionmaking regarding the Department's programs and policies, and budget, legislative, and regulatory actions.

The 2003 budget includes continued funding for **Homeland Security** initiatives that were begun with emergency supplemental funding in 2002. Funding of \$28.2 million is included for heightened building security in the Washington D.C. area and other terrorism protection costs.

The budget also includes funding to implement key crossagency management initiatives. The budget includes \$5 million in the Office of the Secretary for **streamlining USDA, including the Service Center agencies** (See Page 94, Service Center Modernization Initiative for more details).

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The Department's request for its **Agriculture Buildings and Facilities** appropriation includes \$37 million for the operation and maintenance of the headquarters complex, including the Beltsville office facility and \$34 million for the continued renovation of the South Building in Washington D.C. The South Building is nearly 70 years old and is in need of repair to address electrical malfunctions, poor air quality, lead paint, and numerous code violations. In addition, the 2003 budget proposes to fund rental payments to GSA in the budgets of agencies occupying GSA space instead of a central account as part of the Administration's initiative to identify and hold managers accountable for the full cost of their programs.

The **Hazardous Materials Management Program** provides for the efficient management and cleanup of hazardous materials on facilities and lands under the jurisdiction, custody, and control of the Department and prevention of releases of hazardous substances from USDA facilities. The program is funded through a central appropriation and agency funds.

The budget provides an appropriation to the Working Capital Fund of \$21 million for the Department's **Corporate Information Systems** priorities. These systems promise to provide timely and reliable information on the Department's finances, people and purchases and make the Department's administrative operations more efficient by eliminating redundant, stove-piped and aging information systems. Among other benefits, these corporate systems should help the Department have better financial information for decision making and to enhance efficiencies and improve computer security.

DEPARTMENTAL ACTIVITIES

SERVICE CENTER MODERNIZATION INITIATIVE AND COMMON COMPUTING ENVIRONMENT (CCE)

Program Level (Dollars in Millions)			
Program	2001 Actual	2002 Current Estimate	2003 Budget
Common Computing Environment.....	\$59	\$59	\$133

In recent years, the Department has co-located field offices of the Farm Service Agency (FSA), Natural Resources Conservation Service (NRCS) and Rural Development (RD) into one-stop USDA Service Centers to provide seamless, quality customer service to farmers and rural residents. The 2003 budget provides additional funding for two key aspects of this initiative: 1) streamlining the Service Center agencies' business processes and structures and 2) the Service Center agencies' CCE.

Since 1993, USDA has reduced the total number of the Service Center agencies county offices by one-third and a number of State offices have been consolidated. The Department will build on the analyses and lessons learned from this effort and develop a plan during 2002 to initiate the consolidation of at least 200 additional offices in 2003. The Department's review will include an assessment of the costs and benefits of further office consolidations. The Department will also review other business and administrative processes in the Service Center agencies and develop plans to restructure or reengineer them as appropriate. The budget provides \$5 million for the Office of the Secretary to coordinate and implement these activities.

A key element for the success of the Service Center Modernization Initiative is the replacement of aging business and technology systems with a CCE that will allow the Service Center agencies to share data among themselves and customers and to streamline business processes. The CCE will also provide the infrastructure needed to meet the legislative requirement in the Freedom to E-File Act that customers be able to do business electronically with the Service Center agencies by June 2002.

Implementation of the CCE began in 1998 and most of its major hardware and software components will be in place by the end of 2002. The 2003 budget focuses on realizing the full potential of the CCE by funding critical investments in Geographic Information Systems (GIS). GIS promises to transform the way the Service Center agencies, and other USDA agencies, do business by allowing the agencies to analyze data on land and soils electronically. For example, customers will be able to view USDA information on their land over the Internet rather than visiting the office, and soils analysis that now takes days or weeks

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by hand will take only minutes. Printing, distribution, storage and manual updating of hard copy maps in the Service Centers can be eliminated. The Service Center agencies have been making relatively modest investments in GIS for the last few years, but budget constraints and program demands put the agencies significantly behind in acquiring land and soils data needed to use GIS software. A significant acceleration of GIS efforts is critical to meeting customer and legislative demands, such as Freedom to E-File and the Government Paperwork Elimination Act. To coordinate GIS and other Service Center agency IT efforts related to Service Center Modernization, the Administration has proposed funding these efforts in the central CCE account. In addition to agency funds related to the Service Center Modernization Initiative, priorities for CCE base funding include establishing an annual technology refreshment fund to prevent CCE equipment from becoming obsolete and acquiring peripheral devices such as digital cameras, plotters, scanners and Global Positioning System units needed to fully use GIS capabilities and make significant productivity improvements.

OFFICE OF INSPECTOR GENERAL

OFFICE OF INSPECTOR GENERAL (OIG)

**Program Level
(Dollars in Millions)**

Program	2001 Actual	2002 Current Estimate	2003 Budget
Office of Inspector General.....	\$77	\$80	\$87

The **Office of Inspector General (OIG)** conducts and supervises audits and investigations to prevent and detect fraud and to improve the effectiveness of USDA programs. In recent years, limited funding along with new statutory mandates for Inspectors General have required OIG to divert resources from its core audit and investigation work, leaving more of the Department’s resources vulnerable to fraud, waste and abuse. The budget includes a \$5.3 million increase that will be used to reengineer some processes so that OIG can better handle its expanded work load and provide proactive assistance to USDA agencies. These funds will be used to automate OIG’s audit workpaper system, provide training and replace outdated computer equipment. An additional increase of \$2 million will be used to improve OIG’s oversight of the Forest Service’s fire program.

HOMELAND SECURITY SUPPLEMENTAL

**UNITED STATES DEPARTMENT OF AGRICULTURE
 FY 2002 Supplemental Funds
 Transfers From the Emergency Response Fund
 (Dollars in Millions)**

Item	Amount
For Increased Security	
Food Safety and Inspection Service:	
Security Upgrades , Threat Recognition Training for Inspectors and Capability of Bacterial and Chemical Agency Detection, Food Safety Bioterrorism Protection	\$15.0
Animal and Plant Health Inspection Service:	
Salaries and Expenses, Increased Pest Detection activities; Animal Quarantine Inspection; and Facility, Implementation of Biosecurity, and Operational Needs	105.0
Buildings and Facilities	14.1
Total, Animal and Plant Health Inspection Service	119.1
Agricultural Research Service:	
Salaries and Expenses, Increased Research and Facility and Operational Security Needs	40.0
Buildings and Facilities, For Planning and Construction of bio-containment facilities in Iowa and New York.....	73.0
Total, Agricultural Research Service	113.0
Office of the Secretary:	
Upgrade USDA Facilities and Operational Security and Other Unforeseen Needs	81.0
Total, Increased Security.....	328.1
Other Assistance:	
P.L. 480	95.0
WIC.....	39.0
Total, Transfers From the Emergency Response Fund.....	<u>\$462.1</u>

The Emergency Supplemental Appropriations for Recovery From and Response to Terrorist Attacks on the United States provided \$328 million of no-year funding to fill gaps in security of facilities and equipment and to begin the increased activities proposed in the 2003 budget. They include:

- ! Improving the Agricultural Quarantine Inspection and emergency management systems within APHIS and FSIS. These activities would prepare and respond to natural and intentional terrorist introductions of foreign animal diseases such as Foot and Mouth Disease (FMD) and bovine spongiform encephalopathy (BSE).

- ! Accelerating construction of the Ames, Iowa research facility, to support ARS and animal health research and APHIS diagnostic and vaccine programs, including new permanent accommodations for diagnostic work currently conducted in commercial off-site facilities.

HOMELAND SECURITY SUPPLEMENTAL

- ! Upgrading USDA laboratory security, conducting emergency training exercises and improving other operational communication and security equipment to protect against terrorist activity.

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE

Budget Authority
(Dollars in Millions)

AGENCY	2001 Actual	2002 Current Estimate	2003 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency	\$897	\$1,971	\$848
Commodity Credit Corporation Programs	23,526	22,330	19,049
Risk Management Agency	3,470	2,978	2,847
Foreign Agricultural Service	128	130	140
P.L. 480	567	636	882
RURAL DEVELOPMENT			
Rural Community Advancement Program	1,228	807	791
Salaries & Expenses.....	162	169	185
Rural Utilities Service	-918	-1,512	-1,498
Rural Housing Service	782	227	315
Rural Business - Cooperative Service	67	30	32
Rural Empowerment Zones/Enterprise Community Grants	15	15	0
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Nutrition Service	34,160	37,908	41,668
Section 32 Funds	739	890	641
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service	1,076	1,023	1,059
Forest Service	5,205	5,052	4,875
FOOD SAFETY			
Food Safety and Inspection Service	748	787	807
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service	1,058	1,284	1,066
Cooperative State Research, Education, & Extension Service	1,142	1,035	1,029
Economic Research Service	69	70	82
National Agricultural Statistics Service	107	120	150
MARKETING AND REGULATORY PROGRAMS			
Animal and Plant Health Inspection Service	1,094	1,050	1,145
Agricultural Marketing Service	304	207	212
Grain Inspection, Packers & Stockyards Administration	34	35	14
DEPARTMENTAL ACTIVITIES			
Office of the Secretary	12	91	45
Fund for Rural America	30	0	0
Common Computing Environment	59	59	133
Departmental Administration	38	39	48
Outreach for Socially Disadvantaged Farmers	3	3	3
Agriculture Buildings and Facilities	183	188	70
Hazardous Waste Management	16	16	16
Office of the Chief Financial Officer	5	5	8
Office of the Chief Information Officer	10	10	31
Office of the General Counsel	34	35	40
Office of Inspector General	74	76	87
Office of Communications	10	10	11
Office of the Chief Economist	8	8	13
National Appeals Division	13	14	15
Office of Budget and Program Analysis	7	8	8
Working Capital Fund	0	0	21
Gifts and Bequests	1	1	1
Subtotal	76,163	77,805	76,889
Offsetting Receipts	-2,499	-1,296	-1,093
TOTAL, U.S. DEPARTMENT OF AGRICULTURE	\$73,664	\$76,509	\$75,796

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE Discretionary Budget Authority (Dollars in Millions)

AGENCY	2001 Actual	2002 Current Estimate	2003 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency	\$1,375	\$1,475	\$1,615
Commodity Credit Corporation Programs	4	4	-169
Risk Management Agency	69	78	-39
Foreign Agricultural Service	128	126	136
P.L. 480	971	998	1,314
RURAL DEVELOPMENT			
Rural Community Advancement Program	970	807	791
Salaries & Expenses	162	169	185
Rural Utilities Service	108	120	81
Rural Housing Service	1,448	1,474	1,528
Rural Business - Cooperative Service	43	32	36
Rural Empowerment Zones / Enterprise Communities	15	15	0
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Nutrition Service	4,491	4,850	5,078
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service	1,072	1,019	1,059
Forest Service	4,589	4,274	4,099
FOOD SAFETY			
Food Safety and Inspection Service	745	784	804
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service	1,010	1,249	1,031
Cooperative State Research, Education, & Extension Service	989	1,035	1,029
Initiative for Future Agriculture and Food Systems	0	0	-240
Economic Research Service	69	70	82
National Agricultural Statistics Service	106	119	149
MARKETING AND REGULATORY PROGRAMS			
Animal and Plant Health Inspection Service	904	912	790
Agricultural Marketing Service	68	74	78
Grain Inspection, Packers & Stockyards Administration	34	35	14
DEPARTMENTAL ACTIVITIES			
Office of the Secretary	12	91	45
Fund for Rural America	0	0	-160
Common Computing Environment	59	59	133
Departmental Administration	38	39	48
Outreach for Socially Disadvantaged Farmers	3	3	3
Agriculture Buildings and Facilities	183	188	70
Hazardous Waste Management	16	16	16
Office of the Chief Financial Officer	5	5	8
Office of the Chief Information Officer	10	10	31
Office of the General Counsel	34	35	40
Office of Inspector General	74	76	87
Office of Communications	10	10	11
Office of the Chief Economist	8	8	13
National Appeals Division	13	14	15
Office of Budget and Program Analysis	7	8	8
Working Capital Fund	0	0	21
Subtotal	19,842	20,281	19,840
Offsetting Receipts	-33	-76	-29
TOTAL, U.S. DEPARTMENT OF AGRICULTURE	\$19,809	\$20,205	\$19,811

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE

Outlays
(Dollars in Millions)

AGENCY	2001 Actual	2002 Current Estimate	2003 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency	\$925	\$2,090	\$910
Commodity Credit Corporation Programs	22,106	21,642	18,896
Risk Management Agency	2,548	2,978	2,862
Foreign Agricultural Service	128	127	135
P.L. 480	749	1,044	782
RURAL DEVELOPMENT			
Rural Community Advancement Program	906	777	765
Salaries & Expenses.....	124	169	171
Rural Utilities Service	-944	-1,483	-1,518
Rural Housing Service	591	287	346
Rural Business - Cooperative Service	47	61	42
Rural Empowerment Zones / Enterprise Communities	12	15	17
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Nutrition Service	33,124	38,003	40,140
Section 32 Funds	798	696	640
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service	1,000	1,198	1,155
Forest Service	4,373	5,093	4,981
FOOD SAFETY			
Food Safety and Inspection Service	698	786	803
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service	1,003	1,127	1,124
Cooperative State Research, Education, & Extension Service	996	1,069	1,039
Economic Research Service	69	70	81
National Agricultural Statistics Service	108	118	145
MARKETING AND REGULATORY PROGRAMS			
Animal and Plant Health Inspection Service	926	1,127	1,209
Agricultural Marketing Service	319	195	213
Grain Inspection, Packers & Stockyards Administration	34	35	13
DEPARTMENTAL ACTIVITIES			
Office of the Secretary	16	77	69
Fund for Rural America	30	8	11
Common Computing Environment	13	97	130
Departmental Administration	37	37	45
Outreach for Socially Disadvantaged Farmers	2	3	3
Agriculture Buildings and Facilities	143	233	71
Hazardous Waste Management	19	18	17
Office of the Chief Financial Officer	6	5	8
Office of the Chief Information Officer	15	10	31
Office of the General Counsel	32	35	40
Office of Inspector General	80	75	92
Office of Communications	10	10	11
Office of the Chief Economist	8	8	13
National Appeals Division	13	14	15
Office of Budget and Program Analysis	7	8	8
Working Capital Fund	26	-2	20
Gifts and Bequests	1	1	1
Subtotal	71,098	77,861	75,536
Offsetting Receipts	-2,499	-1,296	-1,093
TOTAL, U.S. DEPARTMENT OF AGRICULTURE	\$68,599	\$76,565	\$74,443

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE Discretionary Outlays (Dollars in Millions)

AGENCY	2001 Actual	2002 Current Estimate	2003 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency	\$1,416	\$1,592	\$1,677
Commodity Credit Corporation Programs	11	4	4
Risk Management Agency	85	95	-38
Foreign Agricultural Service	128	127	135
P.L. 480	1,248	1,319	1,201
RURAL DEVELOPMENT			
Rural Community Advancement Program	646	777	765
Salaries and Expenses	124	169	171
Rural Utilities Service	78	121	119
Rural Housing Service	1,349	1,439	1,533
Rural Business - Cooperative Service	31	46	41
Rural Empowerment Zones / Enterprise Communities	12	15	17
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Nutrition Service	4,504	4,920	5,096
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service	976	1,180	1,148
Forest Service	3,551	4,295	4,204
FOOD SAFETY			
Food Safety and Inspection Service	698	783	800
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service	965	1,104	1,095
Cooperative State Research, Education, & Extension Service	953	1,047	1,021
Initiative for Future Agriculture and Food Systems	0	0	-12
Economic Research Service	69	70	81
National Agricultural Statistics Service	108	117	144
MARKETING AND REGULATORY PROGRAMS			
Animal and Plant Health Inspection Service	768	968	866
Agricultural Marketing Service	60	65	77
Grain Inspection, Packers & Stockyards Administration	34	35	13
DEPARTMENTAL ACTIVITIES			
Office of the Secretary	16	77	69
Fund for Rural America	0	0	-103
Common Computing Environment	13	97	130
Departmental Administration	37	37	45
Outreach for Socially Disadvantaged Farmers	2	3	3
Agriculture Buildings and Facilities	143	233	71
Hazardous Waste Management	19	18	17
Office of the Chief Financial Officer	6	5	8
Office of the Chief Information Officer	15	10	31
Office of the General Counsel	32	35	40
Office of Inspector General	80	75	92
Office of Communications	10	10	11
Office of the Chief Economist	8	8	13
National Appeals Division	13	14	15
Office of Budget and Program Analysis	7	8	8
Working Capital Fund	26	-2	20
Subtotal	18,241	20,916	20,628
Offsetting Receipts	-33	-76	-29
TOTAL, U.S. DEPARTMENT OF AGRICULTURE	\$18,208	\$20,840	\$20,599

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE

Staff Years

Agency	2001	2002 Estimate	2003 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency	5,806	5,806	5,806
Foreign Agricultural Service	943	985	985
Risk Management Agency	499	568	568
RURAL DEVELOPMENT			
Rural Development	6,807	7,020	7,024
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Nutrition Service	1,531	1,614	1,672
NATURAL RESOURCES AND ENVIRONMENT			
Forest Service	35,390	35,390	34,165
Natural Resources Conservation Service	11,443	11,010	10,756
FOOD SAFETY			
Food Safety and Inspection Service	9,582	9,661	9,680
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service	7,934	8,518	8,470
Cooperative State Research, Education & Extension Service	384	451	451
Economic Research Service	491	522	526
National Agricultural Statistics Service	1,113	1,188	1,358
MARKETING AND REGULATORY PROGRAMS			
Animal and Plant Health Inspection Service	6,959	7,732	8,662
Agricultural Marketing Service	3,338	3,425	3,448
Grain Inspection, Packers & Stockyards Administration	750	810	830
DEPARTMENTAL ACTIVITIES			
Office of the Secretary	53	82	82
Office of the Chief Economist	53	65	79
National Appeals Division	122	133	133
Office of Budget and Program Analysis	59	67	67
Office of the General Counsel	319	345	359
Office of the Inspector General	650	723	723
Office of Communications	102	118	118
Office of the Chief Financial Officer	1,147	1,191	1,208
Departmental Administration	638	700	755
Office of the Chief Information Officer	283	306	322
Subtotal, Federal Staff Years	96,396	98,430	98,247
Thrift Savings Plan	498	525	525
Total, USDA Federal Staffing	96,894	98,955	98,772
FSA, Non-Federal Staffing	11,251	11,251	11,251
Total, USDA Staffing	108,145	110,206	110,023

APPENDIX

User Fee Proposals
(Dollars in Millions)

Agency and Program	Budget Authority
Food Safety	
Food Safety and Inspection Service:	
Salaries and Expenses	0
<ul style="list-style-type: none"> ● These proposals would establish a new annual licensing fee and a replacement for the existing overtime fee structure with a structure that would reduce current overtime rates and charge establishments for inspection services now provided to establishments without reimbursement for second and third shifts. The impact of these proposals would affect future years. 	
Marketing and Regulatory Programs	
Animal and Plant Health Inspection Service:	
Salaries and Expenses	-\$5
<ul style="list-style-type: none"> ● This proposal would establish user fees for costs for animal welfare inspections. 	
Grain Inspection, Packers and Stockyards Administration:	
Salaries and Expenses	-29
<ul style="list-style-type: none"> ● This proposal would establish a fee for grain standardization and a Packers and Stockyards license fee. 	
Total, User Fee Related Proposed Legislation	-\$34

APPENDIX

Proposed Legislation
(Dollars in Millions)

Agency and Program	Budget Authority
Farm and Foreign Agricultural Services	
Commodity Credit Corporation	
<ul style="list-style-type: none">The Budget includes \$73.5 billion over a ten year period for a farm bill that will provide a solid safety net for farmers and ranchers, expand markets abroad for American agricultural products and increase conservation of natural resources. Of the total amount, \$4.2 billion is provided for changes in the Food Stamp Program.	7,825
Food, Nutrition and Consumer Services	
Food and Nutrition Service	
<ul style="list-style-type: none">Legislation would be proposed to reauthorize the Food Stamp Program and strengthen State efforts to encourage work and responsibility, help immigrants, and provide some simplifications that will aid recipients and program operations.	29
Natural Resources and Environment	
Forest Service:	
Permanent Authority for Recreation Fees.	0
<ul style="list-style-type: none">Proposed legislation would make permanent the current demonstration program and would authorize the Forest Service to retain and use recreation fees collected under the program. The impact of this proposal would affect future years.	

APPENDIX

Fair Market Value for Ski Fees	0
<ul style="list-style-type: none">● Proposed legislation would establish a new fee schedule for ski resorts on National Forest System lands. The amendment would adjust the percentage of gross revenue that determines fees to the government. The impact of this proposal would affect future years.	
Increased Timber Sale Competition	0
<ul style="list-style-type: none">● Proposed legislation would increase competition for commercial timber sales. The legislation would require timber sales, with certain limited exceptions, to be sold using the sealed bidding method. The legislation would also alter the requirement for harvesting timber, allowing recreation or conservation groups to participate in auctions of timber harvest rights. The impact of this proposal would affect future years.	
Charter Forests	0
<ul style="list-style-type: none">● Proposed legislation applies a concept similar to charter schools to establish forests or portions of forests as separate entities, outside of NFS structure and reporting to a local trust entity for oversight. The impact of this proposal would affect future years.	