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AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2014

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

ON

H.R. 2410/S. 1244

AN ACT MAKING APPROPRIATIONS FOR AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES PROGRAMS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2014, AND FOR OTHER PURPOSES

Department of Agriculture
Department of Health and Human Services: Food and Drug Administration
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CONTENTS

THURSDAY, APRIL 18, 2013

AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2014

THURSDAY, APRIL 18, 2013

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:32 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Mark L. Pryor (chairman) presiding.

Present: Senators Pryor, Tester, Udall, Blunt, and Cochran.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOOD AND DRUG ADMINISTRATION

STATEMENT OF HON. DR. MARGARET A. HAMBURG, COMMISSIONER

ACCOMPANIED BY:

NORRIS COCHRAN, DEPUTY ASSISTANT SECRETARY FOR BUDGET, DEPARTMENT OF HEALTH AND HUMAN SERVICES

JAMES TYLER, CHIEF FINANCIAL OFFICER, FOOD AND DRUG ADMINISTRATION

OPENING STATEMENT OF SENATOR MARK L. PRYOR

Senator PRYOR. We will go ahead and call the meeting to order.

Let me call it to order and say that this is my first hearing as chairman of this subcommittee. So let me start by thanking my ranking member, Senator Blunt, who has already proven to be a very good and effective partner and wise counsel in many, many ways. And I look forward to working with Senator Blunt and with everybody on the subcommittee staff and the full committee, but I really value our working relationship.

Roy, thank you for all that you have already done.

I would also like to thank Commissioner Hamburg for being here and joining us today. I appreciate the working relationship that we have developed over the last few years, and I look forward to continuing that work with you. And I know that you are very serious about working with the subcommittee and the full committee on a full range of issues. So we want to thank you for that.

I also want to take a minute to recognize the history and significance of what we are doing here today. The first appropriations bill was reported out of the Second Congress in 1791. A lot has changed since then.

To illustrate one example of how times have changed, I have a copy of that legislation in my office. And the entire bill is 4 pages. Can you believe that? Four pages. Right now, you couldn't even get the table of contents on 4 pages on an appropriation bill.

But nonetheless, one of the things that hasn't changed is our responsibilities to carry out the appropriations of this country, just like we are mandated in our Constitution. The function of this committee is actually mandated by the Constitution. I think that is very significant, and it is a responsibility that I and I know all the members of the subcommittee take very seriously.

So what I would like to do is get down to business today, and that is fiscal year 2014 Food and Drug Administration (FDA) budget. The President's overall funding proposal for FDA is probably one of the most robust requests included in his budget. This is important because the responsibilities of the FDA are so vast, regulating consumer products worth 20 cents of every $1 spent.

In Arkansas alone, there is over 1,300 facilities regulated by the FDA, as well as the National Center for Toxicological Research, which is a unique and important center within the agency that employs over 500 people in our State. And it is really some of the best and the brightest folks in the State.

The total request for FDA is nearly $4.7 billion, which includes the budget authority that this subcommittee controls, to establish user fees, and some user fees FDA is proposing. Within that $4.7 billion, the budget request includes $2.558 billion in budget authority. This is an increase of nearly $48 million over the funding level provided last year without factoring in sequester.

As we all know, this is a very complicated budget year, and we only finished our fiscal year 2013 appropriations bills last month. That means the FDA budget for fiscal year 2014 was written before you knew what you were getting in fiscal year 2013.

Because of this, it appears that you have asked for many of the same things this year that we ultimately were able to provide in last year's budget. We understand that, and we understand that we are going to have to work through that. But that includes funding for increased inspections in China, medical countermeasure activities, and funds to complete a lab at your headquarters.

So it is very important that we all do work together in the coming weeks to ensure that the funds we provide to fiscal year 2014 reflect the most up-to-date information and make sure the taxpayer dollars we are investing are used for the highest priority needs at FDA. We certainly don't want to pay for the same things twice, and we look forward to working with you about these issues.

In addition, I would also like to discuss the impact that the sequester is having on the agency, including your user fee program, and I am interested to hear from you regarding the status of the new food safety user fees you are proposing.

So we have a lot to talk about, but what I would like to do first is turn it over to Senator Blunt for his opening statement.

Senator Blunt.

STATEMENT OF SENATOR ROY BLUNT

Senator BLUNT. Well, thank you, Chairman Pryor.

I look forward to working with you on this subcommittee. We are already able to work together and get some things done on the continuing resolution that allowed us to finish the business that Chairman Kohl and I started last year, and on this and other areas, you and I have been able to work closely together. I look forward to your leadership on the subcommittee and to working with you.

I want to thank our witnesses for being here today. Certainly, as we look at FDA and the imprint it has on the country and on families, it is a significant one. The FDA budget request for direct appropriations represents an increase of almost $48 million above the fiscal year 2013 enacted level and an increase of $174 million above the current operating level because of the sequestration order once it is taken into consideration.

As we begin, Mr. Chairman, to formally review the administration's budget request, we have to be mindful that our fiscal house is not in order. When we held our hearing on this budget 1 year ago, the national debt was at $15 trillion. Today, it is almost at $17 trillion.

Americans are concerned about this, and they should be. And I think the appropriations process, along with the Budget Control Act, is going to begin to reflect those concerns this year, as it may not have in previous years.

Commissioner Hamburg, the agency you head has authority over approximately, I am told, 20 cents of every $1 spent in America. Americans expect that the food they eat, the drugs they take will be safe and effective. Similarly, your private sector partners expect transparency and certainty from the FDA.

The FDA's reach is vast. The agency has authority over more than 300,000 foreign establishments, 185,000 domestic establishments, ranging from food processing plants to facilities that manufacture lifesaving medications. Almost 2,800 of those facilities are in Missouri, and the others, of course, are all over the world.

As FDA is implementing new requirements created by the Food Safety Modernization Act and the menu labeling legislation, the agency needs to be mindful that burdensome regulations and requirements can stifle innovation and lead to unnecessary expenses that limit the ability to create jobs. There is no doubt that your job is complicated, has many constituencies, and it is an agency that has to be careful to avoid the trappings of one-size-fits-all requirements because we all know that one size almost never fits anybody, let alone fitting everybody.

Small businesses suffer under the one-size-fits-all practice, and too frequently, they have limited capital that doesn't allow them to respond to lots of new requirements. For example, when implementing menu labeling requirements, FDA needs to ensure regulations do not overburden businesses while still improving and providing customers with appropriate information so they can make decisions.

In addition, FDA is currently receiving comments on two proposed rules required by the Food Safety Modernization Act. One of these rules, the produce safety rule, is estimated by the agency to cost over $460 million annually, which would be on the average of somewhere between $5,000 to $30,000 per farm, depending on the size of that operation.

FDA readily admits the final rules resulting from the proposed rule will have a significant economic impact on a substantial number of small entities. Recent reports indicate that some farmers find the requirements impractical and that the agency misses the mark by focusing on products that have historically not been the cause of food safety outbreaks. In addition, some farmers report that some of the proposed requirements may simply price them out of the market, by making it impossible for them to compete with imports.

As you are dealing with the final rules, these concerns should be seriously considered. Our economic recovery is fragile. 11.7 million Americans remain out of work. The labor force is at its lowest participation rate since the 1970s, and we need to be sure that we are not doing things that needlessly make that problem worse.

Mr. Chairman, I look forward to the testimony. I am also pleased that joining us today we have the former chairman and the former ranking member of both this subcommittee and the full committee, and he continues to be very interested and involved in the work that this subcommittee does, and we are glad to have him join us today, I know.

Thank you, Mr. Chairman.

Senator PRYOR. Thank you.

Senator Cochran, my understanding you would like to put your statement into the record?

STATEMENT OF SENATOR THAD COCHRAN

Senator COCHRAN. Mr. Chairman, thank you.

I am pleased to join you and our distinguished friend from Missouri at this hearing.

And thank the Food and Drug Administration officials for being here and the hard work they do to carry out their responsibilities.

I ask that the balance of my statement be printed in the record.

[The referenced statement was not available at press time.]

Senator PRYOR. Okay. Thank you, Senator Cochran. Thank you.

Dr. Hamburg, welcome.

SUMMARY STATEMENT OF HON. DR. MARGARET A. HAMBURG

Dr. HAMBURG. Well, thank you very much, Chairman Pryor, Ranking Member Blunt, and Senator Cochran.

And congratulations to you, Chairman Pryor, in your new important position.

And I also want to thank the subcommittee for your past investments in FDA which have helped to reduce the gap between our budget and the demands of our increasingly complex mission.

I am joined today by Norris Cochran, who is the Deputy Assistant Secretary for Budget at the Department of Health and Human Services, and Jay Tyler, who is the Chief Financial Officer at the FDA.

Congress has given FDA responsibility for a vast range of products that are central to the health, safety, and well-being of every American. From spinach and breakfast cereals to vaccinations that save millions of children's lives, to new medicines that treat major killers like cancer and heart disease, Americans rely on products overseen by the FDA every single day.

We also recognize that those who produce our Nation's food and medical products are vital components of the U.S. economy, as is a strong FDA. History shows that when the public trusts FDA's oversight, these industries flourish, and when there are problems with products, it can result in severe economic damage across the industry involved, not just to the offenders, but to non-offenders alike.

I want to mention some of our measurable accomplishments this past year. In 2012, FDA approved 39 novel medicines, the highest number in over a decade. The majority of these drugs were approved in this country before they were approved anywhere else in the world and some in as little as 3½ months.

The number of drug shortages were cut in half, compared to 2011. We successfully turned around a decade of lengthening medical device reviews and backlogs. Working together with 45 State and territorial partners, we have conducted more than 158,000 inspections of tobacco retailers to ensure that they are not selling cigarettes or smokeless tobacco to minors. And we just published our first two food safety proposed rules, as has been noted, as part of the implementation of the historic Food Safety Modernization Act. All of this indicates, I think, that FDA is a smart investment and a bargain, in fact.

Consider, as all of you have commented, that the products we regulate represent more than 20 cents of every $1 that consumers spend on products in this country. But if you look at our budget, every American effectively pays only a little more than $8 a year for our services.

And while FDA continues to oversee a multitude of products vitally significant to all of us, our job has become increasingly demanding. First, we are in the midst of dramatic changes in the ways that food, drugs, biologics, and devices are produced and reach the American public. We are witnessing revolutionary advances in science and technology that hold such promise to improve health and prevent disease, yet also bring new scientific and regulatory complexities. And we are facing the globalization of the food and medical product supplies, demonstrated by a quadrupling of FDA-regulated products over the past decade. For food, some 50 percent of fresh fruit and about 80 percent of seafood that we eat here comes from other countries. About 40 percent of finished drugs and 50 percent of devices are manufactured elsewhere, but cross our borders to be used in this country.

Second, Congress has continued to expand our responsibilities with new laws, including FSMA, the most sweeping reform of our food safety laws in about 70 years; the Family Smoking Prevention and Tobacco Control Act, the landmark legislation giving FDA the responsibility to regulate tobacco products; and most recently, the passage of the FDA Safety and Innovation Act, or FDASIA, which, among other things, creates two new user fees to speed the review of more affordable versions of drugs, which are essential to holding down healthcare costs and also puts important focus on important aspects of advancing medical product innovation.

As we look at our fiscal year 2014 budget needs, we must respond to the demands of complex and increasing responsibilities while recognizing the realities of a constrained economic environment. Thus, we must focus on a set of key mission-critical programs and activities and leverage limited resources to the greatest degree possible.

The President's proposed fiscal year 2014 budget request is for a little over $4.6 billion, which includes $2.5 billion in budget authority and $2.1 billion in user fees. This represents an $821 million increase over fiscal year 2012, $52 million of which is budget authority and $769 million in user fees, including two new user fee proposals for food safety and cosmetics.

A central component of the budget request supports our efforts to implement FSMA and create a modern food safety system based on prevention rather than responding after a problem occurs. FDA is committed to working with industry and our partners at all levels of Government along with the industry and produce community to put in place the necessary risk-based flexible system that recognizes and respects the varying needs of different components of our food enterprise.

I want to thank you for the $40 million in one-time no-year money that was part of the recent continuing resolution, which will help us continue our outreach. For fiscal year 2014, our budget request is for $43 million in budget authority and $225 million in proposed user fees for food facility registration and inspection and imports.

In addition, we must respond to and harness modern science to advance the pipeline of new medicines and vaccines. We are asking for about $18 million to equip a number of already constructed buildings, including two labs, so that we can carry out the work needed to accelerate the development, review, and ongoing assessment of these vital medical products. Without these funds, the labs cannot be used and the $300 million cost of constructing them will be wasted.

Also, in our efforts to safeguard a vast and increasingly hazardous global supply chain, we are asking for $10 million to expand our presence in China, a major and growing exporter that has also been the source of contaminated food and medical products in the past.

PREPARED STATEMENT

I believe our fiscal year 2014 budget efficiently targets our needs, focusing on programs that are essential to providing Americans with the safe foods and effective medical products they expect and deserve. I look forward to answering your questions today and to working with you in the coming year.

Thank you very much.

[The statement follows:]

Prepared Statement of Hon. Dr. Margaret A. Hamburg

Good morning Chairman Pryor, Ranking Member Blunt, and members of the subcommittee. I'd like to extend my congratulations to you, Chairman Pryor, in your new role on the subcommittee. I am looking forward to working with you and your staff. And I would like to thank the subcommittee for its past investments in the

Food and Drug Administration (FDA), which have helped us meet the demands of our broad and increasingly complex mission.

FDA PLAYS A VITAL ROLE IN THE HEALTH OF OUR CITIZENS AND OUR REGULATED INDUSTRIES

Congress has given FDA responsibility for a vast range of products that are central to the health and well-being of every American. From spinach and frozen dinners, to vaccinations that save millions of children's lives, to new medicines for the treatment of major killers like cancer and heart disease, Americans rely on products overseen by FDA every single day. A short list of what FDA oversees includes:

—the safety of most of America's food supply;
—the safety and effectiveness of drugs, biologics, vaccines, and medical devices;
—the safety of the blood supply;
—the development of medical countermeasures to address chemical, biological, radiological, and nuclear threats, and infectious diseases;
—the safety of products that emit radiation;
—the quality of mammography facilities services;
—the safety of dietary supplements and cosmetics;
—the nutritional quality of infant formula;
—the safety of animal food and feed as well as the safety and effectiveness of drugs for use in livestock, pets, and other animals; and
—Most recently, FDA has been charged with reducing harm from tobacco use.

The products we oversee are capable of producing great benefits: sustaining human life, reducing suffering, treating previously untreatable diseases, and extending lives. FDA's recent approval of the first drug to treat one of the causes of cystic fibrosis, as well as the first bionic eye system for a rare genetic condition, illustrate the ability of these products to transform lives. Without proper oversight, however, many of these products are also capable of causing great harm. We need only look at the recent outbreaks of foodborne illnesses from peanut butter or the newest report of counterfeit cancer drugs being imported into the United States to understand those risks.

FDA has a dual responsibility to the public health—to make safe and effective products available to Americans as quickly as possible, while at the same time protecting our citizens from those products that injure or kill. Our citizens' health depends on both.

We also recognize that the producers of our Nation's food and medical products are vital to the health of our economy—and a strong FDA is vital to their health as well. Our history shows that when there is public trust in FDA's oversight, our industries flourish. Conversely, when food and medical products cause serious harm, the result is often severe economic damage across the industry involved—to offenders and non-offenders alike.

FDA CARRIES OUT ITS FAR-REACHING RESPONSIBILITIES WITH FEW TAXPAYER DOLLARS

FDA is a true bargain among Federal agencies. Added together, the products we regulate represent more than 20 cents of every consumer $1 spent on products in the United States. Americans each pay about $8 a year for FDA's appropriations, which is substantially less than the amount Americans spend each year on snack chips alone.

And putting money into FDA is a smart investment. For about 2 cents a day, Americans get an extraordinary array of public health benefits, including: (1) life-saving medicines approved as fast or faster than anywhere in the world; (2) confidence in the medical products they rely on daily; and (3) a food supply that is among the safest in the world. But maintaining this level of performance for the American public, especially related to food safety, demands a fully funded FDA.

Although FDA continues to be an effective and efficient investment, our job has become increasingly demanding. We are in the midst of dramatic technological and market-based changes in the way that foods, drugs, biologics, and devices are produced—from personalized medicine and nanotechnology to the globalization of our food and medical product supplies. Congress has also continued to pass new laws and expand our responsibilities. While we welcome these new responsibilities, they don't always come with added resources. These changes force us to stretch our limited resources, while finding ways to ensure the safety of a global supply chain. Our scientists must also adapt to, and even drive, new science and technology so that we can accelerate medical product innovation rather than impede it.

Let me say a few words about the impact of globalization, which I believe to be among our greatest current challenges. Not that long ago, FDA's job was to oversee a largely domestic market of food and medical product suppliers. Most of the facilities in which these products were stored and manufactured were within our borders and relatively easy to inspect and oversee. Most of our producers and manufacturers were accustomed to operating under the rules of a modern regulatory system and most lived up to our high standards.

We have now entered a brave new world—a world in which, very soon, the majority of our food and medical products will come in whole or in part from foreign countries. In the last 10 years, the number of imported shipments of FDA-regulated products has skyrocketed—in 2012, approximately 28 million shipments of imported food and medical products crossed our borders. That includes 50 percent of our fresh fruits and 20 percent of our fresh vegetables, around 80 percent of our seafood, and 40 percent of drugs on our shelves. Eighty percent of the manufacturers of active drug ingredients are located outside the United States, and more than half of medical devices are imported. Most of the increase in imports is coming from China and India, countries with limited regulatory oversight. Many other imports are from developing nations with even less regulation.

The vast increase in imported foods raises the risk of contamination and illness. Of the imported produce and seafood refused entry at the border, 70–85 percent is for potentially dangerous violations, including the presence of disease-causing organisms and chemical contamination.

The global marketplace also increases the threat of deliberate adulteration, fraud, and counterfeiting. Criminals exploit how hard it is to inspect and track products through the global supply chain. Chinese suppliers of heparin, a critical drug to prevent blood clots, substituted a lower cost, adulterated raw ingredient in their shipments to U.S. drug makers, causing deaths and severe allergic reactions. Chinese suppliers of wheat gluten substituted melamine, an ingredient used in making plastic, which was toxic when it was used in U.S. pet food and dairy products. The contaminated food sickened and killed pets across the United States and put many people at risk.

The global supply chain itself is becoming increasingly complex. Each product may pass through a number of foreign links in the chain, and each additional link increases the risks to American consumers. Consider canned tuna. Once primarily canned in the United States, tuna processing and canning is now outsourced to foreign facilities, and tuna often takes a circuitous journey through processors and canners in Southeast Asia, Africa, and/or Latin America, before it is ultimately shipped to the United States for distribution to our grocery store shelves.

The world has changed and our historical regulatory approaches and tools—such as hoping to intercept products at our borders—are outdated and often inadequate. Border inspections will remain important but they cannot guarantee the safety of even a small fraction of our 24 million food and medical imports a year. Globalization demands a major change in the way FDA fulfills its mission. If we are to continue to promise Americans a safe food and drug supply, FDA must continue to transform itself—from a primarily domestic agency to one that uses innovative global strategies to secure a vast global supply chain. Although challenges lie ahead, we have already made strides toward this goal using the resources you have provided.

FDA IS DELIVERING RESULTS THAT HELP AMERICANS EVERY DAY

Implementing Major New Laws

We are partners with Congress in implementing the policies in three major new laws and several smaller ones that add to FDA's responsibilities in advancing the health of Americans.

The Food and Drug Administration Safety and Innovation Act (FDASIA).—With the passage of FDASIA last year, Congress granted us important new authorities, reauthorized human drug and device user fees, and authorized new user fees for generic human drugs and biosimilars. These authorities and fees are intended to increase the speed and predictability of medical product reviews, better protect the drug supply chain, reduce drug shortages, and speed the review of more affordable versions of drugs that are essential in holding down healthcare costs. We are working hard to implement FDASIA and achieve these important goals.

—*Drug Approvals.*—We continue to run a state-of-the-art drug approval process that brings important new drugs to Americans quickly and safely. In 2012, FDA approved 39 novel medicines, and the great majority were approved in the United States before any other country in the world. The drugs included 13 treatments for cancer patients, 13 orphan drugs, and the first brain imaging agent to help rule out Alzheimer's disease. Recognizing the need to bring safe, lifesaving drugs to Americans as quickly as possible, FDA approved some of them in as little as 3½ months.

—*Medical Device Approvals.*—Over the past decade, important indicators of the efficiency of the FDA's medical device review program, including the average length of review and the size of the backlog of overdue applications, had steadily worsened. Since 2011, FDA has worked intensively to turn this around. Almost every major indicator has now reversed: review times are getting shorter and backlogs are shrinking. This important turnaround will allow the industry to bring safe and effective devices to market more quickly and at lower cost.

—*Drug Safety.*—FDA has also used your investments to improve our oversight of the safety of marketed drugs. The new Mini-Sentinel system allows us to quickly assess potential drug safety problems using data from over 130 million patients. FDA used Mini-Sentinel to assess reports that a new blood thinner, Pradaxa, was causing more bleeding than similar drugs. The results gave reassurance that bleeding rates were not higher with Pradaxa than with the other drugs.

—*Drug Shortages.*—FDA prevented 282 drug shortages in 2012—87 more than in 2011. Early notification to FDA of potential shortages has made a huge difference in our efforts. In 2012, we cut the number of new shortages by more than half (117 v. 251).

—*Affordable Drugs.*—FDA is working to provide Americans with better, quicker access to affordable generic drugs and is also implementing an abbreviated pathway for approval of biological products shown to be "biosimilar to" or "interchangeable" with an FDA-approved biological product. Biosimilars are products that are similar to approved biologics, and while biologics are among the most important drugs Americans use today, they are also the most complex and expensive. We are developing a science-based process for bringing safe and effective biosimilar and interchangeable products to market, which should increase competition and create substantial savings for patients, healthcare providers, and insurers.

The FDA Food Safety Modernization Act (FSMA).—Even though the U.S. food supply for humans and animals is among the safest in the world, the current rate of foodborne illness remains too high—according to CDC estimates, roughly one in six Americans (or 48 million people) get sick, 128,000 are hospitalized, and 3,000 die of foodborne diseases each year, leading researchers to estimate a cost of more than $75 billion due to medical expenses and lost productivity. This does not include costs to the food industry or public health agencies. These are preventable human and economic costs, and they reflect an outdated food safety system. FSMA, the most sweeping reform of our food safety laws in more than 70 years, creates a modern food safety system that shifts our traditional focus—responding to contamination after it occurs—to preventing it before it happens. This new prevention strategy involves all participants in the food system, domestic and foreign, government, industry, and consumers, doing their part to minimize the likelihood of harmful contamination.

FDA is working on regulations on the kinds of risk-based measures food producers and importers should put in place to reduce the risk of contamination. We take pride in our release earlier this year of two proposed rules that set science-based standards for the prevention of foodborne illnesses—one on safe growing and handling practices for produce and another on prevention practices in facilities that process, handle, and store food. Before drafting the proposed rules, FDA conducted extensive outreach with farmers, manufacturers, consumer groups, State and local officials, and the research community. We have just completed three public meetings across the country to get additional input from stakeholders.

The proposed rules are built on existing voluntary industry guidelines and recognized best practices for food safety. Many producers already follow these guidelines, so compliance will be less of a burden. For those who need to add new food safety practices to their operations, FDA, in collaboration with USDA, will offer technical assistance and guidance.

FDA is committed to working with industry members to provide the support they need, especially the smallest businesses. We know that our rules and oversight practices must be responsive to the diversity of operations covered by FSMA, be risk-based and flexible, and address small business concerns. That's why we've included a number of exemptions for small businesses, including one for farms. The produce rule would also exempt low-risk products, like potatoes that are rarely consumed raw, or that will be further processed with a step that kills bacteria—like vegetables that will be canned. We've also proposed that small farms and other small business be given extra time to come into compliance with both rules.

The Family Smoking Prevention and Tobacco Control Act (Tobacco Control Act).—The Tobacco Control Act gives FDA responsibility to reduce death and disease caused by tobacco and to lessen tobacco use, especially the initiation of smoking, by children and teens. This program is entirely supported by tobacco industry user fees. Since enactment, FDA has worked to enforce a ban on cigarettes with candy and fruit flavors, to make them less appealing to kids; prohibit claims like "light" or "mild" that misleadingly imply products are safer; and enforce new smokeless tobacco warnings. FDA has also joined with States and Territories to enforce laws against under-age sales. We have conducted over 131,000 retail inspections and sent over 6,800 warning letters and 420 civil money penalty complaints to retailers.

Other New Authorities.—FDA is also implementing other recently enacted laws. Last month Congress passed the Pandemic and All-Hazards Preparedness Reauthorization Act, strengthening FDA's authority to prepare for chemical, biological, radiological, and nuclear threats, as well as infectious disease emergencies like pandemic flu, and to support rapid deployment of medical countermeasures. FDA is also carrying out new requirements in the Affordable Care Act, including provisions on biosimilars and nutrition information on menus.

Safeguarding the Global Supply Chain

Using the public's investments, the agency is working to transform itself into a public health agency capable of preserving the safety of our food and medical products in a complex global marketplace. We are developing better enforcement and regulatory tools, encouraging greater industry responsibility, increasing transparency and accountability in the supply chain, and increasing collaboration with international regulatory counterparts and other third parties.

Foreign Posts.—To enhance our ability to oversee import safety, we now have 12 permanent FDA overseas posts in key locations around the world: three in China, two in India, three in Latin America, two in Europe, one in the Middle East, and one in South Africa.

Foreign Inspections.—FDA conducted over 2,700 foreign inspections in fiscal year 2012, the largest number ever, exceeding last year by 23 percent. We are on track to surpass that record this year.

Border Screening.—To make the most of our limited border inspection resources, FDA developed PREDICT, a sophisticated computer screening system that uses intelligence from many sources—such as intrinsic product risks, past inspection results, and information about such threats as extreme weather that could spoil a shipment—to flag the riskiest imports before they arrive. This allows FDA to focus its border resources on those imports that are most likely to pose a danger, and at the same time easing entry of low-risk products. PREDICT has helped stop many contaminated products at the border. Recently, PREDICT flagged a large shipment of cucumbers from the Dominican Republic, which were contaminated by salmonella. PREDICT has also identified products with illegal pesticides, heavy metal contamination, filth, and decomposition, as well as substandard medical devices and improperly canned food.

FDA also developed mobile handheld devices that allow our investigators to immediately identify products that may be counterfeit or adulterated. The counterfeit detection device uses light waves to detect irregularities in the chemical composition or labeling of a drug, while the chemical detection (IMS) device identifies inappropriate chemical compounds in a product. The IMS recently identified an unlawful prescription drug—one taken off the market because it can cause heart attacks and strokes—in a large number of imported dietary supplements for weight loss. We hope to fund the development and use of more such mobile handheld devices.

Collaboration With Other Nations.—To address the vast number of imports successfully, we must build a global public health safety net by partnering with other nations. FDA has signed over 120 international arrangements with foreign counterparts to create mechanisms for information sharing and collaboration. We are actively using information from, and conducting joint inspections with, trusted foreign counterparts, and engaging in harmonization efforts on foods and medical products. For example, we have signed an arrangement with Brazil, Canada, and Australia to implement a Medical Device Single Audit pilot program under which a medical device inspection done by one regulator can be relied on by other regulatory agencies. Such programs can cut duplicative requirements for industry and allow us to better allocate our resources.

Supporting Biomedical Innovation

The U.S. food and biomedical industries are among the most successful and respected in the world and FDA plays a key role in that. FDA is sometimes viewed as a barrier to the economic success and innovation of both industries, but that does not take into account the benefits FDA regulation brings them. Public confidence in a strong FDA fosters consumer trust in the safety, effectiveness and quality of the products we regulate. This, in turn, helps producers build their markets. For example, as FDA became the model for science-based drug approval around the world, its high standards spurred decades of medical advances and turned the U.S. pharmaceutical industry into the world leader in innovative medicines.

As you know, I have made it a priority to help U.S. biomedical companies maintain their status as world leaders in innovation. It is well known that advances in biomedical research are not being translated into real world products as swiftly and surely as we all would hope. The time and costs of developing new drugs has been increasing. Yet despite increases in research and development, the pipeline of new, innovative drugs remains disturbingly limited. Serious public health needs, such as treatments for autism and Alzheimer's disease, are not yet being met, despite years of research and investment. And many drugs are not revealed to be unsafe or ineffective until the last stages of development, wasting valuable time and resources. Through its regulatory science programs, FDA is committed to helping to develop new knowledge and tools that can help translate basic scientific discoveries and approaches into life-saving medicines, and reducing the time, complexity and cost of drug and device development.

Investment in FDA allows our scientists to support innovation through a range of activities, including:

—the Innovation Pathway, which cuts the time and cost of developing and reviewing breakthrough device technologies—the first to benefit from the Pathway was a robotic arm controlled by a microchip in the brains of patients with spinal cord injuries or amputations;

—greater use of genetic data to advance personalized medicine, especially in cancer therapies;

—new scientific tools and partnerships to learn earlier in development whether a drug or device will work and be safe, saving time and money now wasted on late-stage product failures;

—more guidance to industry early in technology development to help bring important new products, like the artificial pancreas, to market more quickly; and

—more collaboration with companies earlier in development. When companies come to us for help early in the process of testing their products, experience shows that they can shave up to 5 years off their development time. That's a dramatic shortening of the path to market.

Stretching Budget Dollars

We have also made belt-tightening a priority. We have consolidated our information technology infrastructure and administrative functions across FDA, and put in place controls to cut the cost of travel, training and conferences. We are avoiding additional rent costs by making better use of existing office space through telework and office-sharing, and we are reviewing contracts to cut service and product duplication.

CURRENT BUDGET REQUESTS

The budget includes $4.7 billion, an $821 million increase from fiscal year 2012. Of this requested increase, user fees account for 94 percent ($770 million). Mindful of the need to reduce spending, we seek a reduced budget authority in several areas, including a $15.4 million decrease for human drug, biologic, and medical device programs. We are also asking for a small number of increases, which are necessary to meet our growing duties and preserve the safety of our food and medical products:

—An additional $43 million to carry out our responsibilities under FSMA and to modernize our food safety system. These resources will go to building prevention-based food and animal food and feed safety systems, to reduce the toll of foodborne illnesses.

—An additional $10 million, above fiscal year 2012, for overseeing the safety of goods from China. This increase will add 16 new inspectors in China, who can conduct more inspections and train Chinese counterparts, strengthening our ability to prevent safety problems before products reach the United States.

—An additional $3.5 million, above fiscal year 2012, to improve the development timelines and success rates for medical countermeasures intended to protect against chemical, biological, radiological, and nuclear threats and new infectious diseases. The top priorities for these funds include care for U.S. soldiers suffering from traumatic brain injury, treatment of acute radiation syndrome, and supporting rapid deployment of critical medical countermeasures in emergency situations.

—An additional $17.7 million to permit us to equip and obtain certification for four already-constructed buildings, including two labs, on the White Oak campus, so that they may begin carrying out research to support biomedical advances. Without these funds, the labs cannot be used and the $300 million cost of constructing them will have been wasted. Moreover, we will need to continue to pay rent for the old space occupied by FDA staff.

Under agreements negotiated with industry, we seek an increase in current law user fees of $500 million to support our drug, device, animal drug, animal, food and feed, color additive, export, and tobacco product programs. We also seek $269 million in proposed user fees, including $225 million for food facility registration and inspection, and imports, $31 million for animal drug application fees that are up for reauthorization this year, $19 million to strengthen our oversight of cosmetic safety, and $15 million for reinspection of medical product facilities.

I know that some of you have expressed concern that proposed user fees for food producers will impose unexpected burdens, especially on small producers. Please be assured that food-related user fees, if authorized, will be developed in close cooperation with stakeholders.

CONCLUSION

FDA's oversight of our food and medical products supply is indispensable to the health and well-being of every American. We carry out our broad public health responsibilities effectively and with few taxpayer dollars—even as those responsibilities are expanding as a result of new legislation, technological advances, and a globalized marketplace. Our fiscal year 2014 budget targets our spending efficiently, on programs that are essential to providing Americans with the safe foods and effective medical products they expect. I look forward to answering your questions today and to working with you in the coming year.

Senator PRYOR. And I know you have a couple of colleagues there to help if we get too bogged down in the weeds here. So we want to welcome them to the subcommittee as well. I know you introduced them.

BUDGET REQUEST

Let me start here and just jump right in to your budget generally. As we have talked about a few moments ago, you prepared this budget before we passed the fiscal year 2013 budget. That puts you at a real disadvantage, and we understand that. We are sensitive to that.

We are not going to ask you to clarify that today, but I do hope that you and your team will work with us and our teams here on the subcommittee to try to update your requests and try to find the balance we need to find as we go forward. And I assume you are perfectly willing to do that and would agree to all work together on that?

Dr. HAMBURG. Absolutely. Willing and eager.

Senator PRYOR. Well, thank you very much. And again, we appreciate that. We just understand the circumstances, and I think everybody understands the circumstances we are in.

SEQUESTRATION

Let me ask about the sequester. This is something obviously that has been in the news a whole, whole lot. We know how important it is. We also know that there have been news reports about the FDA losing the ability to conduct approximately 2,100 domestic and foreign facility inspections for consumer safety.

And now that the sequester is here and now that the cuts are taking effect, can you please provide us with an update on how the sequester is affecting your agency?

Dr. HAMBURG. Okay. Well, of course, the sequester is of significant concern to us, and overlaid on the additional issue of expanding responsibilities, these cuts will come at a cost. The sequester is about $209 million in terms of cut to FDA, $126 million in budget authority, and it is important to note also $83 million in user fees.

We, at the present time, are trying to absorb the impact of sequester in ways that will have the least impact on the health of the public and our ability to move forward with critical programs. We are decreasing travel and conferences, training programs, cutting back on a range of consulting contracts and grants.

Sad to say, we are already not at our full-time equivalent (FTE) caps, and so we won't be able to hire up as much as we would like. But we won't have to furlough anyone because we are under where we would like to be, where we think we actually need to be. But that is another area in which we will absorb some of the sequester cut.

The issue around the user fees I think is an important one because we did work carefully with industry and with Congress to develop a program for the use of user fees in key areas of our medical product programs. And we will not be able to use all of those user fees to achieve the performance goals that were negotiated with industry, and I think that will be reflected in a slowing of some of our ability to build up key programs, to advance medical product review programs in critical ways. And I do think that this is a set of concerns for all of us.

USER FEES

Senator PRYOR. You anticipated my next couple of questions about the user fee because I think a lot of people would be surprised to know that you can't use a user fee, something you negotiated with the industry and everybody understands the parameters and how they will be used.

Do you think—have you thought about how that is going to affect your negotiations and discussions with the industry going forward?

Dr. HAMBURG. Why, of course, I am very concerned about that. The process involves us sitting with industry and also the engagement of a broader set of stakeholders to really identify what are the critical issues and concerns, how can we strengthen programs and activities, and what are our key performance goals to measure, and then how do we measure progress toward those goals?

Industry clearly expects that the money that they are putting forward to the FDA will support these critical goals and programs and activities, and I think industry has been surprised, as have been many others, that they would be the subject of cuts in the same way as budget authority. And I do think that it is something to think about the next time we sit down across the table to discuss these fees.

Nonetheless, without these user fees, our programs would be seriously compromised in our overall resources to do critical tasks.

FOOD SAFETY USER FEE

Senator PRYOR. Yes, and I see that also with food safety user fees that you are proposing, and I have that concern that if—we can't act unless it is authorized by other committees here, and I am not sure those will be authorized.

And I am wondering if you have thought through the possibility that they not be authorized, therefore not be appropriated. And how can you do the things you need to do on the food safety side if those user fees aren't there?

Dr. HAMBURG. Well, as we look at the program for food safety and the implementation of the Food Safety Modernization Act, clearly the goals of food safety modernization and moving toward this preventive model is a shared set of goals for industry and for the benefit of the American people, and I do think it is appropriate that our budget reflect a combination of a budget authority commitment and user fees.

We have begun discussions with industry in this arena, and I think that those will be important discussions as we try to achieve what has been proposed in the President's budget and as we work with Congress in shaping the fiscal year 2014 budget. And the issue of how those user fees are authorized and appropriated is, of course, an important one, and there will need to be, of course, a legislative pathway for that.

And I hope we can do it in a way that will maximize the benefits for everyone and protect those user fee funds for their intended use.

Senator PRYOR. Yes. Well, and I think, just as this develops over the course of the year, we just need to keep talking, and it is very important for us to know about your priorities. And we will work through all the "what ifs" as they come up.

But again, thank you.

I know we have been joined by several colleagues here. So I am going to turn it over to Senator Blunt and let you ask questions, and then we will move down the line.

Thank you.

Senator BLUNT. Thank you, Mr. Chairman.

BUDGET REQUEST

On maybe the biggest issue that we will need to work together on regarding the budget is getting the request in synch with what you need now. Because as the chairman mentioned, some of your requests were met in the continuing resolution.

WHITE OAK FACILITY

For example, the move into the White Oak facility, I think that money is there now. Is that right?

Dr. HAMBURG. Well, we, in the continuing resolution—and we appreciate it greatly—there were monies given to us for the White Oak consolidation. We do have continuing needs. Unfortunately, those were not one-time only needs in terms of the White Oak consolidation.

And as——

Senator BLUNT. But the move-in needs were one-time only, and the completion needs were one-time only, right?

Dr. HAMBURG. There are additional needs in order to complete the buildings.

Senator BLUNT. We need to talk about what those are.

Dr. HAMBURG. We would be delighted to sit down with you on that.

[The information follows:]

The additional needs to complete the White Oak Campus are as follows:

FDA has $17.6 million in additional requirements in fiscal year 2014 over the 2013 appropriation for the Offices and the Life Sciences-Biodefense Complex, also known as the LSBC. These funds will ensure final commissioning and certification of specialized laboratories prior to occupancy. This includes installing and testing specialized equipment ($1.3 million) for building automation, operation and monitoring, conducting high-efficiency particulate air filter, pressurization control, and power tests, installing air sensors, determining primary bio-containment device effectiveness, and providing special containment equipment for the Biosafety Level-3 labs, also known as BSL–3 labs. The BSL–3 labs containment equipment and the vivarium's pH waste neutralization system are specialized systems that will also be maintained with this request.

The fiscal year 2014 increase also includes decommissioning ($8 million) the laboratories FDA is vacating at the National Institutes of Health and at Nicholson Lane, some of which we have occupied since the 1960s. Decommissioning activities include complying with environmental regulations and mitigating any contamination caused by chemical, radiological and biological materials.

Funds are also needed for critical operational and logistical functions on the White Oak Campus, including completion of the remaining campus security infrastructure. FDA will experience, as part of the LSBC and office move, a 50-percent growth over the current campus population as well as a 50-percent increase in building square footage that must be supported. Specifically, these funds will be used to develop and implement additional safety programs ($3.1 million) to support complex laboratories, including high containment specialty laboratories, expand the Central Utility Plant to support the new LSBC and Office Complex, and increased operational and logistical functions ($5.2 million), including hazardous materials storage, handling, processing, and distribution.

FDA must make this investment in early fiscal year 2014 to ensure that the offices and LSBC are operational and ready for occupancy. These buildings must be operational and meet safety requirements to serve critical CBER and CDER programs that help combat emerging infectious diseases and bioterrorism threats and ensure the safety of blood, tissues, stem cell therapies, vaccines and drug products.

SEQUESTRATION

Senator BLUNT. All right. We need to talk about what those are. And what amount of money did you say was being sequestered in fees?

Dr. HAMBURG. It is about $83 million.

Senator BLUNT. Eighty-three million?

Dr. HAMBURG. Million, uh-huh, and that is across a number of user fee programs in the medical product arena.

Senator BLUNT. And your overall shortage in these areas between now and September 30 would be less than the amount of money you think you need to complete the year?

Dr. HAMBURG. Well, we will have cuts through sequester to the user fee and the budget authority component of programs——

Senator BLUNT. Right.

Dr. HAMBURG [continuing]. That support our medical product review. So, overall, the sequester impact is $209 million.

USER FEES

Senator BLUNT. Assuming we went forward with the Budget Control Act, would you be supportive of the user fee categories being exempt from sequester?

Dr. HAMBURG. I don't know that I am the best person to speak to the overall policy, but I would be very eager to see the user fee monies protected in terms of their intended use, which, as I have mentioned before, were negotiated very, very carefully with industry in terms of a set of critical programs and activities and performance goals.

Senator BLUNT. And again, for the rest of this year for the FDA budget, the user fee sequester is $83 million. So this is a big amount of money.

Dr. HAMBURG. It is a big amount of money.

MENU LABELING

Senator BLUNT. All right. What about the easy to deal with topic of menu labeling? Where are you on that? When do you expect the FDA to issue its final rule?

Dr. HAMBURG. Well, we hope to issue that final rule soon. As you know, it has been an extended process. We have talked before about how I naively thought that menu labeling would be one of the easier to implement components of the law, but in fact, it has been very challenging.

But we have had the opportunity for a process of notice and comment rulemaking, and we—in response to the proposed rule that we put forward, we did receive a very large number of comments. We are currently going through all of those and trying to finalize a final policy document, and we will be getting that out certainly by the end of this year, although, knock on wood, and as soon as we possibly can.

Senator BLUNT. By the end of this calendar year or by the end of this fiscal year?

Dr. HAMBURG. I was saying calendar year, but it is a high priority. We are trying to move forward with it. I can't tell you exactly when. And whenever I do make those kinds of statements, I always regret it.

But we are moving into the home stretch, and I know that you have had many concerns about aspects of it. And we have heard those concerns, and they were reflected in the comments. But it has been a complex rulemaking process.

Senator BLUNT. Well, you and I both have learned a lot more about this than we would have ever expected to learn.

Dr. HAMBURG. Yes, exactly.

Senator BLUNT. And things like the small chain grocery stores, the food they have available in the store, drive-throughs, locations that are almost exclusively delivery locations, how much posting do they need to do at the location, all those are things that obviously people are going to look very closely at when that rule does come out.

COSMETIC USER FEE

The cosmetics industry, I understand that the FDA has been involved in some discussions with the industry looking for a science-based framework that would establish a uniform national standard. Do you want to comment on that at all?

Dr. HAMBURG. Well, we have had a number of discussions with industry about their desire for greater harmonization of approaches. There is an international forum for some of those discussions that meets regularly with other regulatory authorities engaged as well.

We think it is an important set of activities, although different countries do have different legal regulatory frameworks for oversight of this area, which will not enable total convergence. But we think that these are important discussions to be having.

We also do believe that there are opportunities for us to coordinate more closely with the cosmetics industry, and we expect to be having some more targeted discussions in the context of the proposed user fees.

Senator BLUNT. I think the industry is growing more concerned that there might be a lot of conflicting State laws, and some Federal definitions that were overriding would be helpful there.

I know this is the second year in a row that you have asked for these cosmetics industry user fees. I think this year you estimate the fee would cost the industry a little over $19 million. I am glad to continue to talk about that. I was opposed to that at the end of our discussions last year and probably will be again this year, but it is a topic that I am willing to talk to you about.

MEDICAL DEVICES

On the medical device manufacturers, I understand that a number of countries have a country of origin first step. If you haven't been approved in the country the device is made, you just automatically cannot be approved in a number of countries around the world.

Costa Rica appears to have been a very big beneficiary of this. I know there are 14,000 medical device jobs in San Jose now. Most of them are pretty new, and mostly because that government, more quickly than our Government, will give them the country of origin approval.

Have you got some thoughts on how we deal with the medical device process going more quickly than it has been going? And they have a fee already that they are willing to pay. Is that right?

Dr. HAMBURG. Yes. Well, with respect to the issue of where manufacturing occurs, it often is a decision of companies in terms of costs of manufacturing, price of labor, and other incentives. And as you know, when the country requires that you be approved in that country in order to sell in that country, that is an important incentive as well.

Senator BLUNT. Yes, but to be sure we are talking about the same thing. This is where other countries require as their first step that you had to have approval in the country where the device was made before you could even apply for approval in the country you would like to sell it in.

Dr. HAMBURG. Well, that is a national policy. I do think with respect to Costa Rica, it is interesting to note that they accept the U.S. approval for devices as an approval within their own country because they do look to us in many ways as a gold standard for approval of these products.

But we are working very hard with industry and within our own program processes and procedures to try to find ways to streamline our device review process as much as possible, to make it as clear and predictable as possible. We don't want it to be overly cumbersome, but we want it to provide appropriate protections to make sure that products are as safe and effective as possible for their intended use.

We want to find ways to encourage manufacturers to remain in this country, to do their work in this country. And I think that we remain as a Nation a leader in medical device science and technology and continue to have strong exports in this area. But we want to make sure that our regulatory programs support that, but also, of course, address what is our core mission, which is the review of safety and efficacy.

TISSUE BANKS

Senator BLUNT. Two quick questions I will ask for the record unless we have time for a second round. One is, first of all, to preface a question on tissue banks, I want to thank you for personally taking time to get involved in that. I think there were four areas, following up on their meeting with the agency, that you all were looking at.

One was to reissue the jurisdictional update guidance document and allow for a formal comment period. Two was to stop publishing FDA's descriptions of Tissue Reference Group (TRG) decisions that they felt had in the past sometimes been misleading. Three, review the FDA's TRG process to ensure that it is appropriately addressing current challenges. And four, your very generous commitment to see that they were meeting with your organization twice a year.

So just your sense of the time on those four issues——

Dr. HAMBURG. Yes.

Senator BLUNT [continuing]. At some time when you could tell me that would be helpful.

Dr. HAMBURG. Okay. Terrific. I think we have had some good discussions and very useful to hear their concerns, and I think we are addressing them in a coordinated way.

[The information follows:]

1. Reissue the Jurisdictional Update guidance document and allow for a formal comment period.

Answer. We have heard that some stakeholders have questions about this policy document, and we understand that there is a need for improved communication regarding regulatory policy in this area. We are currently considering how best to address this concern. We agree to look at this issue and report back on how we are addressing stakeholder communications regarding the policies described in this document.

2. Stop publishing FDA's potentially misleading descriptions of Tissue Reference Group (TRG) decisions.

Answer. The TRG was established in 1998. Since then, we annually have been publishing on our Web site summaries of TRG recommendations. We instituted this practice in recognition of the public interest in a transparent TRG process, an interest that was reiterated by Congress in the last appropriations report directing us to now publish these updates on a twice-yearly basis. Ending this practice would not serve important interests in transparency. However, we understand that industry has concerns that some readers generalize inappropriately from the summaries that we post on the Web site. In order to address that risk, we have added the following language to the TRG Web page where the updates are posted:

Please keep in mind that updates to the TRG Annual Reports are stated in general terms in order to avoid revealing confidential information protected from disclosure. The TRG's recommendations are based on specific facts, which may not be provided in the updates. For these reasons, it may not be appropriate to generalize broadly from the updates. If you have questions about your specific product, please contact TissueReferenceGroup@fda.hhs.gov.

3. Review the FDA's TRG process to ensure that it is appropriately addressing current challenges.

Answer. An inter-center working group has analyzed and revised the TRG procedures, taking stakeholder comments and concerns into consideration. FDA has posted an updated Standard Operating Policy and Procedure (SOPP) for the TRG, and it is publicly available on the FDA Web site.

4. Conduct two liaison meetings per year. (We understand the Commissioner has agreed to this item.)

Answer. This request was made in 2012, and CBER/Off ice of Cellular, Tissue and Gene Therapy (OCTGT) agreed then to a twice yearly schedule for meetings with AATB. The Commissioner confirmed this arrangement when she met with AATB in early 2013.

FOOD SAFETY MODERNIZATION ACT

Senator BLUNT. And on the Food Safety Modernization Act rules, FDA took 2 years to draft the rules, yet they are allowing only 120 days for interested parties to comment. A number of those parties have requested an extension. I am hoping that you are looking at that extension, and I will be glad for some follow-up on that as well.

Dr. HAMBURG. Well, we appreciate that these are complex rules, the proposed rules, to go through and analyze, and we do intend to extend the comment period so that we can hear all of the concerns and address them fully. And I think it is a reasonable request.

Senator BLUNT. What are you going to extend by, 180 days?

Dr. HAMBURG. I think 120 days.

Senator BLUNT. So you are going to double the comment period?

Dr. HAMBURG. Yes.

Senator BLUNT. Okay. Thank you, Mr. Chairman.

Senator PRYOR. Thank you.

Senator Cochran.

MENU LABELING

Senator COCHRAN. Mr. Chairman, Madam Commissioner, I understand the Food and Drug Administration is having some difficulty in complying with or figuring out how to respond to the requirement that menus be labeled to show various things for the consuming public. Food retailers in my State of Mississippi have expressed some concerns, too, about how this affects them and how they are supposed to comply.

What type of establishments do you foresee will be affected or governed by these new requirements?

Dr. HAMBURG. Well, the law was quite explicit about chains of 20 or more restaurants or vending machines in terms of the applicability of FDA regulatory oversight. Defining exactly what a—restaurant is fairly straightforward. A restaurant-like establishment is a more complex challenge in our modern world, with fast food stores and pizza delivery and the different kinds of models of in-grocery store cafes, et cetera.

And that is really where the greatest challenges have come and where we have gone through an extended process of putting out proposals, asking questions, and seeking public comment. And we are trying now to go through all of that and compile the issues and concerns and reflect those back in a final rule, which we hope will be published very soon.

Senator COCHRAN. Thank you.

One other concern of importance in my State is with the catfish industry and the fact that labeling and certification of the wholesomeness of foods that are going to wind up being sold in stores or restaurants, whether or not these apply to foreign fish that come in and are imported into our country.

To what extent are you involved in trying to sort through those challenges? What is the status of that?

Dr. HAMBURG. Well, I think that it is the case that in terms of seafood in particular, as you mentioned, there is a growing component of seafood in this country that is coming in from overseas, and we play a critical role in the oversight of all of that. And the import of seafood is one of the areas that surprised me in terms of the shifting of more and more imports coming from overseas.

You mentioned catfish. That is a particular area of some regulatory complexity because, as I understand it, several years ago, Congress actually asked to shift the oversight of catfish to USDA from FDA, and that process is still in transition.

And until Food Safety and Inspection Service (FSIS) at FDA fully takes it over, we are continuing to provide oversight in that area as well. We work with our partners to try to ensure the safety and quality of the seafood that Americans eat, wherever it comes from.

Senator COCHRAN. Well, we hope that that can be resolved at an early date. I know it may be complex and challenging, but a lot of producers and those who are in business here in the United States are worried that it is being unfairly—or it may be unfairly applied to domestic producers, as compared with foreign importers.

So, anyway, your personal oversight of that would be appreciated.

Dr. HAMBURG. Thank you.

Senator COCHRAN. Thank you.

Senator PRYOR. Senator Tester.

Senator TESTER. Thank you, Mr. Chairman.

And I want to thank Dr. Hamburg for being here and her service. And I just want you to know that bringing Thad Cochran's son to the subcommittee is not going to sway this subcommittee in the questions and answers. I assume that is correct, right, Thad?

At any rate, welcome.

FOOD SAFETY MODERNIZATION ACT

Look, I want to talk about the Food Safety Modernization Act a little bit, too. And I appreciate the ability to visit with you off the grid, too. I thank you very much for that.

During the debate over the Food Safety Modernization Act, we had a very healthy discussion about where consumer risk comes from. One key question was whether the smallest companies, operating locally, selling at the farmer's market or at a local grocery store, pose the same kind of risk as the big national companies do.

And while there were strong feelings on both sides of this debate, and they were strong, one thing that was lacking was any epidemiological data to support applying the same rules to small producers in isolated markets as we do to the big guys whose mistakes could reach every corner of the country in a very short order.

So Congress, in order to avoid putting small producers out of business, did not apply those rules to qualified facilities. Congress did, however, require a study of the food processing sector, including facilities collocated on farms, and this report was to be completed before the promulgation of the new rules, and the rules were intended to be informed by the study. And correct me, if I am wrong on that.

However, FDA did not release the study until January—correct?—along with the proposed preventive control rule. Yet the study was dated November 2011.

Can you please speak to why the agency did not release that report and seek comment on it before a proposed preventive control rule was released? It is about 13 months space.

Dr. HAMBURG. We are, as I said, trying to go forward with an open process with input from all stakeholders, and the opportunity to bring the best possible science to bear and data to bear and experience to bear on our rulemaking. I will have to get back to you on the specifics of the review process for that report.

[The information follows:]

Section 103(a) of the FDA Food Safety Modernization Act (FSMA) instructed FDA, in consultation with the Secretary of Agriculture, to conduct a study of the food processing sector. Section 103(a) of FSMA also instructed FDA to submit to Congress a report describing the results of the study not later than 18 months after FSMA's date of enactment. However, FSMA also required us to promulgate regulations to establish "science-based minimum standards for conducting a hazard analysis, documenting hazards, implementing preventive controls, and documenting the implementation of preventive controls" and to define the terms "small business" and "very small business." The regulations were to be promulgated not later than 18 months after FSMA's enactment. Under contract with FDA, RTI International conducted the study, consistent with the FSMA requirements. Also consistent with FSMA, we have consulted with the U.S. Department of Agriculture (USDA) about the study. We also included the Food Processing Sector Study as a reference in the recently issued proposed rule for preventive controls for human food. The study provides information on the number of establishments and average sales per establishment by industry and size of operation. We used the study to inform the proposed rule's definitions of "small business" and "very small business."

Although section 103(a) of FSMA did not require us to do so, we released the study for public comment along with the proposed preventive controls rule and the proposed definitions of "small business" and "very small business." We took this action so that we could evaluate and address the comments, before we reported to Congress on the results of the study.

In the preamble to the proposed rule, we described our plan as follows:

> Consistent with section 418(l)(5) of the FD&C Act, FDA has consulted with USDA during its study of the food processing sector (Ref. 31). The study is available in the docket established for this proposed rule (Ref. 32). We request comment on that study. In section X.B.4 of this document, we discuss our proposed definitions for small business and very small business. We will consider comments regarding the study, as well as comments regarding our proposed definitions for small and very small business, in any final rule based on this proposed rule.

78 FR 3646 at 3658. Thus, because the study is part of the administrative record for the rulemaking, we will consider comments on the study in the same manner as we would consider comments on any other reference in the administrative record.

Senator TESTER. I would like to because——

Dr. HAMBURG. Yes.

Senator TESTER [continuing]. In my review, it appears that the FDA did not examine any actual epidemiological data, but it relied on the process of expert elicitation. And essentially, academics in the field of food safety and research were surveyed on their experience.

I think it is—well, point well taken. You will get back to me.

Dr. HAMBURG. I think we can have a rich conversation on all of the data that has gone into the development of these rules.

Senator TESTER. Super. And I thank you for that.

FOOD SAFETY MODERNIZATION ACT

One question that arose during the consideration of the Food Safety Modernization Act was again whether farms that sell directly to consumers from farm stands on their own farms should be treated the same as farmers who sell directly to consumers out of a truck at a farmer's market, and it is essentially the same thing.

Under the existing rules, this question has never been clear. A farmer that sells from his or her own property is considered a retail food establishment and not a food facility. The Food Safety Modernization Act required FDA to adjust the definition of a retail food establishment to ensure that a farmer selling his or her own food at a market would be treated the same way.

Can you explain why the rules that were proposed last January do not address this issue, and do you plan on addressing it in the final rule?

Dr. HAMBURG. Well, of course, in the Food Safety Modernization Act there was what we finally call the "Tester exemption," which speaks to some of these issues. But we have also been trying to build in flexibility in terms of the proposed rules and how they would be applied, depending on the activities that were being undertaken and the level of risk.

We have really tried to engage in a lot of outreach and discussion to understand, noting that there is not a one size fits all. This is a complex and diverse enterprise, the food enterprise, and the needs of the produce-growing community are very different, depending on what you are growing, who you are growing it for, the size of the facility, et cetera. And so, I think we are really striving to reach the right balance.

And food safety matters to the American public, whether you are big or small. But I think in terms of our regulatory oversight role, we do not want to have a one size fits all. We recognize the differences. We are trying to achieve a risk-based approach that really does recognize the differences, and we are not striving to be unnecessarily burdensome. We are trying to find the right balance to protect health.

Senator TESTER. I very much appreciate particularly the statement the one size does not fit all. Because one size really doesn't fit all, and it doesn't fit all in most parts of Government and especially here.

And where you have—and that is the whole thing. We want our food to be safe, no mistake about that. We are silly if we don't. But by the same token, we need to, just as we do in the financial area, fit the regulation to the risk.

And so, I thank you for that. We will continue to follow up. My staff will continue to follow up with your staff on ways we can make this thing work because I think we both want it to work in the end and work well for the consumer without putting a bunch of folks who don't pose much of a risk at all out of business.

So thank you for that.

I talked to you a bit ago about a petition that was in front of the FDA that had over 1 million signatures on it that dealt with labeling of GMO [genetically modified organism] foods.

Dr. HAMBURG. Mm-hmm.

GENETICALLY MODIFIED FOODS

Senator TESTER. I am going to back up a little bit. When we talk about chemicals that are applied to food, they go through a rigorous, and I mean a rigorous, bunch of tests. The GMO issue is fairly new, 15 to 20 years, and in my perspective, from my opinion as a dry land dirt farmer, I will tell you that the amount of testing that is done on genetically modified foods is slim to none, and slim just left town.

And so, my question to you is, is that with this petition in hand, it was originally submitted about 1½ years ago, November 2011, what are your plans? And I know in previous conversations, you talked about the plant where their corn, soybean, cotton, whatever, is really not changed much. But I don't know if there is tests to prove that.

It is certainly a different plant than it was initially because there are traits in the environment. So what is your opinion on labeling? Is it something FDA is going to do?

Dr. HAMBURG. Well, we certainly understand that there are concerns about safety and environmental issues related to genetically modified foods in the public at large, and it has been the focus of a lot of scientific work and investigation. We support a consumer's right to know and voluntary labeling of genetically modified foods.

Senator TESTER. The problem is, is that I am not sure voluntary labeling is ever going to happen, or it would have already happened. Just a point.

Thank you, Mr. Chairman.

Senator PRYOR. Thank you, Senator Tester.

COSMETICS

I have a few follow-ups, if you don't mind, Dr. Hamburg? And that is on cosmetics. You know, we talked about user fees in other contexts. I am not sure we mentioned user fees in cosmetics.

I know that you have been in negotiations with the industry on these. My understanding is they are concerned about timely and fairly rapid reviews of things and make sure that we have safe products to find that right balance we need.

But are you in a position today to talk about your status of your negotiations with the cosmetics industry?

Dr. HAMBURG. You know, I think that we are at a very early stage in terms of some of the specifics, but we expect now that the President's budget has come out and there is a target as well, that we will be sitting down with the cosmetics industry in a much more focused way. And of course, we will be also bringing the fruits of our discussion to Congress as we move forward.

Senator PRYOR. Are you talking about setting up a national standard for regulation of cosmetics?

Dr. HAMBURG. Well, that, I think what we would be talking about with respect to the user fees would be more trying to define a shared agenda in terms of what are a couple of critical priorities in terms of our oversight of them in areas where the cosmetic industries think that they would benefit and where we think that through additional resources and identification of some key areas of activity, we could strengthen our program.

NATIONAL CENTER FOR TOXICOLOGICAL RESEARCH

Senator PRYOR. Let me also just change the focus here for one moment to the National Center for Toxicological Research. I know that they do a lot of things in the nanotechnology world, which is very important. But this is a facility that also is looking at the safety of some high-profile issues like BPA and also antibiotics in food processing animals, pediatrics anesthetics, even something that is very current this week, ricin, trying to find the best inactivating agent for that.

So, obviously, it does a lot of important work. And they certainly benefit your mission and are important to your mission. And I also know that you have a memorandum of understanding between the State of Arkansas, led by Governor Beebe, and also yourselves about trying to make sure that this is just a first-rate facility all the way around with a lot of collaboration and help going both ways between you and the University of Arkansas.

VIRTUAL CENTER OF EXCELLENCE—NANOTECHNOLOGY

Could you talk just a little bit about that memorandum of understanding (MOU) and the virtual Center of Excellence established by the MOU and just an update on that, please?

Dr. HAMBURG. Sure. Well, we are very excited about this project and the incredible support that we have gotten from the State of Arkansas and its outstanding academic institutions. It is an MOU with five academic institutions in the State, as well as the Government, and really enables us to move forward in a couple of critical ways.

One is that we have created a training program in regulatory science, one of the first formal programs in the country, and we will be graduating our first group of accredited students in this area. And that really matters today and for the future, of course, in terms of really making sure that we have the strongest science-based regulatory programs.

It also enables us to really focus on some critical issues like nanotechnology and study them at a very basic science level as well as all the way through the set of issues that arise, including clinical experience with the assessment of safety and efficacy of some of these products. So it really is a very unique resource.

And as you note, the National Center for Toxicology Research is a unique entity in the country in terms of its focus, the kind of work it does, and its impact on critical issues to the American people. So I think this is really an outstanding program that we expect will yield a lot of benefits going forward.

NANOTECHNOLOGY

Senator PRYOR. Well, and I know that nanotechnology is really an emerging field, and it is a rapidly developing field. Do you feel like the FDA has the resources necessary to stay on top of all the changes that are coming with nano materials and nanotechnology?

Dr. HAMBURG. Well, of course, we could always use more. But we have a strong program. Nanotechnology is a very challenging area for us in the sense that nanotechnology is emerging and nano-based products are emerging across many domains of our activity—drugs, devices, foods, cosmetics. And in these different areas, they may raise different concerns.

So I think it is very, very important that as this field is evolving, we are very engaged from the get-go in terms of thinking about both some of the safety concerns that are important to address, but also how best to harness this new technology and approach to benefit the American people.

BUILDING AND FACILITIES

Senator PRYOR. Right. I am not going to ask you to go through all the details on the answer to this next question. But I would ask you to provide us the documentation for your building and infrastructure needs. And I know you have been doing that, and obviously, it needs to be updated and made current.

But I see the request that you have made, and I think it is important for us on the subcommittee to see all of your needs and look and see if there are ways that we can help with that, and we would like to really kind of do a top-to-bottom review of that and work with you on that because that is very important. And you can just submit that for the record when it is ready.

Dr. HAMBURG. Okay. Terrific.

[The information follows:]

The Building and Facilities (B&F) Program provides funding to construct, renovate, repair and improve FDA's 86 owned buildings and the associated infrastructure for at six sites where operations critical to FDA's public health mission are conducted. A total of approximately 1,400 staff and contractors are employed at these sites. FDA's owned assets include numerous laboratory facilities and a substantial amount of site infrastructure. It is critical to ensure a safe working environment for FDA employees. Improving the physical condition and operational reliability of these assets is also vital to supporting FDA's work to protect the Nation's health, security, and safety.

FDA currently has an estimated Backlog of Maintenance and Repair (BMAR) of $120 million, which represents a comprehensive list of maintenance and repair deficiencies for buildings and site infrastructure. In addition, B&F funding is also needed to bring owned buildings into compliance with sustainable building standards and to accomplish renovations needed by FDA programs to meet regulatory and mission requirements.

The Jefferson Lab Complex (JLC) site provides an excellent example of FDA's needs. FDA conducts mission research at its JLC site, which is occupied by the National Center for Toxicological Research (NCTR) and the Office of Regulatory Affairs' (ORA) Arkansas Regional Lab (ARL). This site represents more than 50 percent of FDA's owned square footage and BMAR. More specifically, there are at least seven laboratory and animal holding facilities that are in urgent need of attention with architectural, HVAC, electrical, and plumbing systems that have reached the end of their useful life. These buildings are in need of repairs and improvements to meet code and make them safe to meet FDA's mission. A Master Plan, which will identify required improvements and renovations to buildings and site infrastructure, and will propose a strategy to implement them over the next 5 to 20 years, is almost complete. In addition to addressing some of the above noted needs, the Master Plan also addresses critical needs for the construction of a Nanotechnology Core Facility and an addition to an existing Imaging Core Facility as well as initiating utility infrastructure support for a proposed Biotechnology Park (a.k.a., Bioplex) being spearheaded by The Economic Development Alliance of Jefferson County Arkansas of which FDA is an active member. Such vital improvement, renovation and construction projects cannot be completed without adequate B&F funding.

Investing in FDA-owned facilities provides space for expansion and the ability to renovate and retool infrastructure to support the complex FDA mission while saving funds. By utilizing its owned space to maximum capacity, FDA can reduce the amount of rented space it requires. Jefferson Laboratories alone has approximately 40,000 square feet of space available for renovation and use, and 490 acres of land that could be made available for future construction.

FDA ensures its mission support capabilities are resourced adequately to achieve program success and, in the past, has been able to defer its maintenance, repairs, and facilities improvement needs as program needs were of higher priority. But the scale has recently tipped due to the continuous decreased funding for the B&F Program. FDA has determined that years of underfunding this program has resulted in a risk to its mission and to the safety of its employees.

The Agency can no longer defer its maintenance needs as we are experiencing system failures in our buildings and infrastructure which not only impact reliability and mission-critical research activities but also the health and safety of our employees. Funding is needed now for critical buildings and infrastructure projects to ensure mission accomplishment and a safe working environment for its personnel. FDA leadership is also weighing these needs heavily in the formulation of our fiscal year 2015 budget request.

Below is information regarding FDA's six owned sites and the critical work conducted at these sites in support of FDA's public health mission:

Jefferson Labs Complex (JLC)—Jefferson, Arkansas.—This site is occupied by NCTR and ORA's Arkansas Regional Lab. NCTR conducts critical research at this site that focuses on toxicity and risk assessment, nanotechnology, biomarker development, non-invasive imaging, and studying the extrapolation of data from animal studies to humans. ARL conducts testing and analysis in support of post market surveillance. ARL also conducts research, collaborative studies, regulatory inspections, and scientific consultations to support enforcement activities.

Gulf Coast Seafood Laboratory—Dauphin Island, Alabama.—FDA's Gulf Coast Seafood Laboratory site is used by the Center for Food Safety and Applied Nutrition (CFSAN) to conduct research programs related to seafood safety, especially FDA-regulated seafood harvested from the Gulf of Mexico.

Muirkirk Road Complex (MRC)—Laurel, Maryland.—This is a campus shared by CFSAN and the Center for Veterinary Medicine (CVM) to conduct research programs related to food and animal drug safety, toxicology, microbiology, and molecular biology. In addition, laboratories at this site are used as part of the Laboratory and Food Emergency Response Networks.

Winchester Engineering and Analytical Center (WEAC)—Winchester, Massachusetts.—WEAC is an ORA specialty laboratory used to test the safety and performance of medical devices, microwaves, and radiopharmaceuticals; to conduct radionuclide testing with food samples; and to ensure seafood freshness.

San Juan District Office and Laboratory—San Juan, Puerto Rico.—The San Juan District Office is responsible for compliance with FDA regulations in the Commonwealth of Puerto Rico and the U.S. Virgin Islands (St. Thomas, St. Croix, and St. John). The San Juan District Laboratory is a National Servicing Laboratory that specializes in the testing and analysis of human drugs (pharmaceutical analysis) and provides support in team inspections as well as conducting independent inspections of contract laboratories, domestic and foreign.

Los Angeles District Office and Pacific Regional Laboratory SW—Irvine, California.—This location houses the Los Angeles District Office, which serves as ORA's inspection and compliance activity in Southern California and the State of Arizona. The pacific Regional Laboratory SW is a multi-functional laboratory performing predominantly import work in the Foods, Drugs, Cosmetics, Veterinary Feeds, and Medical Devices program areas. The lab also has specialized capabilities in the areas of Entomological basis of Filth and Sanitation, Regulatory Mass Spectrometry, and Regulatory Molecular Microbiology and Virology.

DRUG COMPOUNDING

Senator PRYOR. And the last thing I have really is I understand that you recently made an appearance before the House of Representatives, and maybe the issue of drug compounding came up over there?

Dr. HAMBURG. This is true.

Senator PRYOR. And I, like everyone else in the country, certainly on this subcommittee is very, very concerned about the fungal meningitis outbreak that we saw linked to the New England Compounding Center. And I also notice that in the budget, you are requesting, what is it, $3 million, if I am not mistaken?

Dr. HAMBURG. In the continuing resolution fiscal year 2013 budget, we intend, with the agreement of this subcommittee and support of this subcommittee, to spend $3 million for issues related to expanding activities with respect to oversight of compounding pharmacies.

We are, as you may know, very deeply involved in discussions with Congress, particularly on the Senate side, with respect to legislation that would give us new authorities that we very strongly feel we need to be able to provide better protection for some of the highest risk compounding facilities that are making sterile products that represent a greater risk, making them in advance of or without a prescription and selling them across State lines.

We don't know what that legislation will look like. I am very hopeful that we will get it. But we will need to come back to you with additional requests over time as we really determine the nature and scope of our responsibilities in this area and what we will need to have the kind of strong and sustainable regulatory regime to address the safety of compounding pharmacies.

Senator PRYOR. Compounding pharmacies are a very important piece of the puzzle, and certainly we want those drugs to be as safe as they can be, just like all drugs. And obviously, a problem like we saw at the New England Compounding Center raises concern, and we look forward to working with you on that.

Senator Blunt.

Senator BLUNT. Okay. Let us stay with that topic a little while. The $3 million that you would expect to commit between now and the end of this fiscal year on drug compounding, under what authority would you be getting more involved or do you need legislation to get involved? What would you spend it on?

Dr. HAMBURG. No, we have authority with respect to compounding pharmacies, but it is far more limited than the authorities. For example, we have over conventional manufacturers. As you probably know, compounding pharmacies have historically been regulated on a routine day-to-day basis by the States.

But we are increasingly concerned that there are many large compounding pharmacies out there that are making these high-risk sterile products, and we feel an obligation to be as aggressive as possible with our existing authorities to know who is out there making what and to make sure that there are not serious sterility concerns and other concerns that would put the American people at risk.

We do not feel we have all of the authorities that we need to regulate this arena of compounding pharmacies and particularly these large compounding pharmacies that are behaving essentially as outsourcers to hospital networks and providing critical products to the healthcare system and to patients. And that is why we are seeking legislation.

We don't have the authority, for example, to require that all of these facilities register with us and tell us what they are making. We don't have the authority to go in and fully inspect them, get access to their records and take samples. We don't have the authority to hold them to a uniform set of national standards or the authority to require that these compounding pharmacies report adverse events to us when they learn about them and about their products.

DRUG COMPOUNDING LEGISLATION

So we think that everyone would benefit by legislation that would clarify and strengthen the FDA oversight role.

Senator BLUNT. Now I would think, and I would be pleased to have your comments on this, that there is an argument to be made on the manufacturing side where a compounder is making a significant quantity of a compounded product to then be sold, as opposed to the pharmaceutical side where a pharmacist is compounding one product for one prescription.

That obviously would take a whole lot more oversight than on specific manufacturing facilities. Am I off base there in looking at that that way?

Dr. HAMBURG. Well, we recognize the role of traditional compounders, and we do not want to oversee all compounding pharmacies in this country. But the industry has been evolving, and the healthcare system needs have been evolving. And there is this new sort of hybrid of compounding pharmacies that are making larger volumes and higher risk products, and we do feel that that is a gap in our current regulatory framework.

If we were, as has been suggested by some, to treat this group of compounding pharmacists and pharmacy facilities as manufacturers, because they are doing some things that look more like manufacturing in many ways in terms of volume and some of the kinds of products that they are making, that would have very, very serious implications for the healthcare system and patient needs.

APPROACH TO DRUG COMPOUNDING REGULATION

You spoke earlier about the need for sort of a thoughtful, balanced approach to regulation. Our current authorities might push us to treating a range of compounding pharmacies like conventional manufacturers, and that would almost certainly put many of those companies out of business, both the good actors and the bad actors.

We don't want a system that will unnecessarily compromise important industry and important manufacture of critical medical products, but we also want to make sure that those compounding pharmacies are appropriately regulated. We believe that we can find a balanced approach that will require those pharmacies that are making the high-risk sterile products in advance of or without a prescription and shipping to other States in a way that fits appropriate safety standards and good manufacturing practice for the products they make so we can assure quality.

We want to be able to know who they are and what they are making and to routinely inspect them and get access to everything that we need. We want to make sure that these compounding pharmacies are making safe, high-quality products. But we also don't want to apply a sledgehammer if that isn't what is needed.

And that is why we want to work with Congress to achieve the kind of regulatory authorities that we need to best serve the American people at the end of the day.

Senator BLUNT. Well, I think it is very important how you define the role you want to play for the FDA in the future so that this doesn't later become: We have the right to go in and check on every pharmacist in America and how they filled every prescription.

Dr. HAMBURG. Believe me.

Senator BLUNT. You may have some right to do it, but clearly, the tools to do that would be, in my view, beyond our reach.

Do you have any idea how many of these kinds of facilities there might be? Are we talking about hundreds or dozens?

Dr. HAMBURG. Well, we don't really know the full landscape because they aren't required to register with us in terms of these higher risk compounding pharmacy facilities. We know there are about 28,000 compounding pharmacies across the country, or at least these are the estimates that we get from industry.

Of those, there are probably about 7,500 specialty compounders, and a subset of those, some 3,000 are making the higher risk sterile products that I was just talking about.

Senator BLUNT. Well, my thought on this would be to let us draw this line as appropriately and tightly as we can, if you really want to get this done, as opposed to broaden the scope to the point that so many people are so concerned that nothing happens.

DRUG COMPOUNDING ISSUE IN MISSOURI

We had a problem in Missouri with this, as I mentioned to you, on some cancer drugs. As I recall about 20 years ago a pharmacist was knowingly not giving the right prescriptions and saving the cost of those drugs.

We have very tight laws because of that. I think we are one of only two States that give pharmacists a specific license to make a specific compounded product and that was a result of that problem. And still, if a pharmacist wants to violate the law and eventually run the risk of going to prison, they could still not do what they are legally obligated to do.

I don't know what is in a pill or what is in a compounded product, either one. I have to trust somebody in that process, and I think there may a place that we can define this in a way that allows us to do that.

DRUG COMPOUNDING FUNDING

I still don't quite know what you are going to do with the $3 million between now and the end of the year. So why don't you have somebody prepare that information.

Dr. HAMBURG. Okay. Well, we would be happy to. But we are going to use it to continue some of the inspections that we have been doing, follow up on the inspections and——

Senator BLUNT. Maybe when I see how you are going to spend that money, I will know what you are able to do now, compared to the gap that is still out there to be filled. And do you have an estimated cost of what it would take to regulate these manufacturers of the kinds of products you have described?

Dr. HAMBURG. Well, we are certainly looking at those costs. What an overall program would cost depends on ultimately how we move forward with legislation and new authorities and defining this category of nontraditional compounders that we were just discussing. Because as I said before, we understand the importance of traditional compounders, and we have no interest and clearly don't have the resources to take on the whole activity, and it has historically been a State responsibility.

But we do have real concerns about the safety of the American people in light of an evolving industry, and we do feel that we do need additional legal regulatory tools and authorities and we will, in order to implement that, need additional resources as well.

GENETICALLY MODIFIED ORGANISM FOODS

Senator BLUNT. Right. And on the topic that Senator Tester raised, I heard, I thought, two pretty different views of that. One was on the testing of GMO foods, he said the testing was somewhere between slim and none, and slim has left town. So I guess that means none.

You said a lot of scientific work and investigation here. You do have to decide whether these products can become part of a consumable food product. Is that right?

Dr. HAMBURG. We do provide oversight of the safety and wholesomeness of foods, whether they are genetically modified or not, yes.

Senator BLUNT. And the scientific basis, the science that you look at has led you to believe that any of these products that are in our current food supply are safe, or they wouldn't be there?

Dr. HAMBURG. We do not believe that there are existing threats to health from these products.

Senator BLUNT. As I understand it, the Department of Agriculture is involved at deciding what products can be planted and grown, and then you come in at some point and decide what the potential food uses of those might be, as opposed to other uses?

Dr. HAMBURG. Well, there are many components to this question.

Senator BLUNT. If you want, the one question I will ask that maybe narrows that. Where does USDA leave off in a GMO product and you take over?

Dr. HAMBURG. Well, we don't proactively review the product in the way that we review a drug on a routine basis. We are reviewing now GE salmon, which I am sure you are aware of. And actually that is being reviewed under our veterinary drug program, and it is the first in its class in terms of a genetically modified product that is coming before us.

And that is being reviewed in terms of safety clearly. But our overall food program, I mean, not every food that goes into the marketplace is reviewed and approved by the FDA for safety, but we monitor safety issues, of course.

Senator BLUNT. Then this is one of the topics you would be monitoring, along with lots of others?

Dr. HAMBURG. Genetically modified foods? We are responsible for overall safety, quality, wholesomeness of the food supply. With respect to those areas in the FDA domain, of course, as you know, USDA regulates meat, poultry, and processed eggs.

Senator BLUNT. Right. One of the few products we don't grow in our State, and I think Arkansas, is sugar beets. We grow no sugar beets. But I know there was a sugar beets case a few years ago. After the product was approved by USDA, within 5 years about 95 percent of the crop was this product. If you bought sugar beets, you were almost certain to be buying that sugar beet because it did whatever apparently the sugar beet growers wanted a sugar beet plant to do, and 95 percent of the crop was sugar beets.

And there was a court case that was not about food safety, but whether it had been properly tested by USDA on environmental standards. A Federal judge said I think they ought to test it some more. USDA appealed that. The higher judge said, no, you have done all you needed to do to test it.

But in the interim, there was some question about whether all the sugar beets in the country, or 95 percent of them, could be harvested and sold that year. But the question was not about the food quality or the food safety. It was about whether there were other environmental impacts, and higher court decided, no, there weren't.

But I thought that there was a lot of science on this, and you apparently think so, too.

Dr. HAMBURG. I do.

Senator BLUNT. I thank you, Chairman.

Senator PRYOR. Thank you.

Senator Cochran, do you have anything further?

Senator COCHRAN. Mr. Chairman, I would like to express our appreciation to the panel for being here today and for the job you are doing, heading up this very important agency.

Thank you for cooperating with our subcommittee.

Dr. HAMBURG. Thank you.

Senator PRYOR. And thank you.

Dr. Hamburg, I would like to thank you again for being here and bringing your team here. I look forward to working with you. This was a great hearing.

And Senator Blunt and I and the whole subcommittee here look forward to working with you on this year's bill as we go through that process.

ADDITIONAL COMMITTEE QUESTIONS

And for members of the subcommittee, if you have any additional questions that you would like to ask for the record, we would ask that you get those within 1 week. So that is Thursday, April 25.

And Dr. Hamburg, if you could make your responses available within 4 weeks of that time, that would be very much appreciated.

[The following questions were not asked at the hearing, but were submitted to the Department of response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR MARK L. PRYOR

PROPOSED FOOD SAFETY USER FEES

Question. If the new proposed user fees aren't authorized, what does that mean for FDA's ability to implement the food safety law?

Answer. The proposed user fees are critical to ensure that FDA is able to fully implement the FDA Food Safety Modernization Act of 2011 (FSMA). The two major food safety user fee proposals, a Food Import Fee and a Food Facility Registration and Inspection Fee, are estimated to generate $166 million and $59 million, respectively. Not having this $225 million in fees authorized and appropriated will severely limit FDA's ability to implement FSMA and to create a modern food and feed safety system that is prevention-oriented, science- and risk-based, and efficient. In particular, FDA would not have the resources necessary to modernize the import system by improving the accuracy and efficiency of inspections. Without additional resources, FDA will not have sufficient capacity to develop the guidance documents necessary to support implementation of the preventive controls and produce safety regulations and to conduct outreach and educational activities for industry and regulatory partners. FDA will not be able to hire and train investigators for import oversight, nor will it be able to modernize compliance programs and inspection practices to improve efficiency and overall effectiveness of FDA's public health activities. FDA will not be able to develop a network of shared State and Federal laboratory data and perform planned assessments of States enrolled in the Manufactured Food Regulatory Program Standards.

We hope to continue to work with Congress and industry on this important issue.

Question. Assuming we are working under the same budget restraints as you are, please send us information as quickly as possible on what the highest priority activities are that would have been funded with the user fees.

Answer. FDA's highest priorities for the fiscal year 2014 food and feed safety program are developing and implementing preventive control and produce safety standards, increasing the frequency and accuracy of domestic and foreign inspections, training of regulatory partners in new inspection protocols, building the capacity of FDA State partners, and implementing FDA's new import authorities. Of these important priorities, FDA's efforts in import safety would be the most adversely affected if the new user fee proposals are not authorized and appropriated.

The fiscal year 2014 resources would support comprehensive, prevention-focused import food and feed safety programs that will place greater responsibility on those in the food supply chain—food and feed manufacturers, processors, packers, distributors, transporters, and importers—to ensure that imported food and feed are as safe as those produced domestically. Without these resources, FDA would not able to develop and implement a variety of approaches to ensure the safety of imported foods and feeds, including assessments of foreign food safety systems and capacity building for foreign industry and regulatory partners. FDA would also not be able to use data generated by these activities to prioritize FDA food and feed safety monitoring activities and thereby enhance the safety of the U.S. food and feed supply. Not having these additional resources would hamper FDA's efforts to improve consumer protection by allowing FDA to make better informed decisions about the admissibility of imported food and feed products.

BUILDING INFRASTRUCTURE NEEDS

Question. Please provide the Committee with the funding that would be required to address the current backlog of essential maintenance and repairs at all FDA-owned facilities.

Answer. FDA currently has an estimated Backlog of Maintenance and Repair (BMAR) of $122 million, which represents a comprehensive list of maintenance and repair deficiencies for buildings and site infrastructure. In addition, the Building and Facilities (B&F) Program funding is also needed to bring owned buildings into compliance with sustainable building standards and to accomplish renovations needed by FDA programs to meet regulatory and mission requirements.

The B&F Program provides funding to construct, renovate, repair and improve FDA's 85-owned buildings and the associated infrastructure for six sites where operations critical to FDA's public health mission are conducted. Approximately 1,212 staff and contractors are employed at these sites. FDA's owned assets include numerous laboratory facilities and a substantial amount of site infrastructure. It is critical to ensure a safe working environment for FDA scientists. Improving the physical condition and operational reliability of these assets is also vital to supporting FDA's work to protect the Nation's health, security, and economy.

The Agency can no longer defer its maintenance needs as we are realizing system failures to our buildings and infrastructure, which not only impact reliability and mission-critical research activities but also the health and safety of our employees. Funding is needed now for critical buildings and infrastructure projects to ensure mission accomplishment and a safe working environment for our personnel.

Question. Please list the amount of maintenance and repairs necessary, by location, in order of the Facility Condition Index.

Answer. The table below provides a breakdown of the BMAR for each of the FDA's six owned locations in order of their respective site Facility Condition Index scores.

FOOD AND DRUG ADMINISTRATION OWNED ASSETS—BACKLOG OF MAINTENANCE AND REPAIR (BMAR) AND FACILITY CONDITION INDEX (FCI)

Site	Total BMAR	Site FCI
Winchester, MA	7,168,893	47.86
Jefferson, AR	92,897,341	72.79
San Juan, PR	2,936,248	77.88
Laurel, MD	17,368,120	80.91
Dauphin Island, AL	775,482	82.96
Irvine,CA	945,339	97.01
Total	122,091,423	

HIGHLY COMPLIANT IMPORTERS

Question. The Committee included report language in fiscal year 2012 which strongly encouraged FDA to "establish a pilot project to expedite imports for highly compliant importers." In addition, section 713 of the FDA Safety and Innovation Act directed FDA to establish a partnership program for highly compliant importers by January 2014. Can you update us on FDA's efforts to implement both of those pieces of guidance? Will you meet the January 2014 deadline and if not, why?

Answer. FDA has implemented the PREDICT program that facilitates entry of lower risk products while targeting higher risk projects for additional review. Additionally, FDA is in the process of developing two programs that should help to facilitate the import entry of products from highly compliant importers: the Voluntary Qualified Importer Program (VQIP) for Food and Feed and the Secure Supply Chain Pilot Program for pharmaceuticals.

VQIP is a voluntary program under which food and feed importers may submit an application for expedited review of entries, based on the risk of the food being imported.

FDA continues to work on the operational design of VQIP authorized under FSMA and is close to completion. Currently, IT requirements are being addressed and importer user fees are in development.

The Secure Supply Chain Pilot Program will increase the likelihood of expedited entry for pharmaceuticals that meet the criteria for selection under the program. The Secure Supply Chain Pilot Program should allow FDA to assess the various entities and processes involved in a repetitive-type import chain, and if found acceptable and if all information is accurately submitted at the time of entry, would allow for expedited processing of entries.

FDA plans to announce the start of a pilot program in order to evaluate the Secure Supply Chain Program. FDA also is planning a public meeting to gather additional input on all the provisions of section 713 which is a much broader authority than the development of partnership programs. The information provided through the pilot program and the public meeting will help inform the regulations that need to be developed. FDA is developing a timeline for full implementation that ensures we have adequate public input.

Question. How many importers have expressed their intention to enroll in the Secure Supply Chain Pilot, and has pursuing the pilot prevented FDA from implementing a partnership program like that described in section 713 of FDASIA?

Answer. As the pilot program has yet to be announced, we do not have definite numbers on how many firms would be likely to participate. FDA intends to limit participation to 100 qualified applicants during the pilot phase.

Question. Would FDA consider establishing an advisory panel, similar to the Commercial Operations Advisory Committee at the Customs and Border Protection, on import operations? The goal would be to help FDA incorporate or account for best practices of U.S. importers, as well as help coordinate import operations among its Centers.

Answer. FDA would consider establishing an advisory panel.

SEQUESTER FOR GENERIC DRUGS

Question. Specific to the newly enacted Generic Drug User Fee Act, how will sequester of the user fee funds affect the progress of FDA's implementation of the new program?

Answer. Sequestration may threaten FDA's ability to fulfill the 5-year performance commitments made under the Generic Drug User Fee Amendments of 2012.

Delays in addressing the backlog of generic drug applications will slow patient access to new, more affordable generic drugs.

Question. As you know, the program was enacted to address the previous backlog of more than 2,700 generic drug applications and to provide parity in domestic and overseas facility inspections. It was anticipated that approximately 900 new full-time equivalents (FTEs) would be added to FDA staff to address this backlog, and that 25 percent of these FTEs would be added in fiscal year 2013. Could sequester of the user fee funds delay hiring of these new FTEs and further delay addressing the backlog and providing parity in facility inspections?

Answer. As a result of sequestration, FDA may be unable to fully implement the new user fee program. The fiscal year 2013 hiring goal of 25 percent is expected to be met, but the Agency's commitments to improving review timelines for generic drug submissions—including reviews of the previous backlog of applications—may not be achievable, including achieving risk-adjusted parity between domestic and foreign facility inspections. If sequestration continues to impact user fees after fiscal year 2013, the hiring goals outlined in the 5-year GDUFA agreement with industry may not be achieved.

SEQUESTER IMPLEMENTATION

Question. With the implementation of sequester, including the user fees paid by industry, how are you working to continue to meet performance goals set under the various user fee acts?

Answer. As a result of the sequester, FDA will have fewer resources than we had assumed when we agreed to the performance goals in our user fee program commitment letters. Consequently, FDA may not be able to meet some of these performance goals. FDA continues to look for more efficient ways to use the resources we receive, and to apply those resources to the highest priority activities that will protect and promote public health by providing timely access to safe and effective medical products. In the short term, we have had to delay some less urgent yet still important activities, such as some of the new enhancements to our user fee programs, as well as certain training and professional development activities that allow our staff to stay current with emerging science and technology.

Question. Are you prioritizing activities not directly related to drug and device review in such a manner to ensure that you are making the best effort to continue to meet those performance standards?

Answer. Yes, FDA is setting priorities, using a risk-based approach, for both drug and device review goals and goals not related to review, to help ensure the health, safety, and well-being of the American people while we manage our programs with fewer resources than planned. We must balance our efforts to meet drug and device review performance goals with our responsibility to monitor the safety of the products that are already available, and our need to respond to emerging safety problems.

DIETARY GUIDELINES FOR SEAFOOD

Question. FDA has not yet updated its 2004 advice to pregnant women on seafood consumption, despite new USDA dietary guidelines and multiple commitments from the Agency to Congress to do so. Can you commit to issuing this updated advice this summer, and if not, by what date will this be issued?

Answer. FDA first issued fish consumption advice relating to methylmercury in 1994. The advice was updated in 2001 and again in 2004. The 2004 advice was issued jointly by the Food and Drug Administration and the Environmental Protection Agency. Its purpose was to protect against the possibility of neurodevelopmental harm to the fetus and to infants from methylmercury as a result of their mother's consumption of fish and to protect young children from the possibility of neurodevelopmental harm from methylmercury as a result of their own consumption of fish. Since then, studies published in the scientific literature indicate that, under certain circumstances, fish consumption by pregnant women and young children may actually improve neurodevelopment. The Dietary Guidelines for Americans 2010, the Government's nutritional recommendations issued every 5 years by the Departments of Health and Human Services and Agriculture, have already taken this development into account by recommending that pregnant and nursing women eat at least 8 and as much as 12 ounces per week of fish lower in mercury. The 2004 FDA/EPA advice does not contain this consumption target nor does it mention a potential neurodevelopmental benefit from fish since the evidence for it did not exist in 2004. We are devoting a significant effort to update the fish consumption advice and to complete a quantitative assessment of the net effects of fish consumption during pregnancy on neurodevelopment in order to have a sound analytical underpinning for that advice. These continue to be top priorities for FDA. FDA will update the Committee when specific information about the timing of the release is available.

QUESTIONS SUBMITTED BY SENATOR TOM UDALL

SUNLAND PEANUT COMPANY

Question. It is my understanding that Sunland worked very closely and cooperatively with the FDA to address the issues found at the peanut butter plant and that they will be coming back on line with the FDA's stamp of approval.

Could you outline for the Committee how this use of new authority worked in New Mexico, and your thoughts on where the new authority was helpful in ensuring a safe product in the end?

Answer. By using our new authority provided by the FDA Food Safety Modernization Act to suspend facility registrations, FDA was able to ensure the safety of public health by not allowing Sunland to distribute its peanut and nut butter products until appropriate action was taken to remedy the salmonella contamination in its facilities. The new tool allowed FDA to take swift action to prevent continued distribution of food that had a reasonable probability of causing serious adverse health consequences or death.

Question. Has the FDA used this same authority to revoke operating certificates elsewhere since the process was carried out in New Mexico?

Answer. FDA has not used this authority elsewhere.

Question. Has the experience with Sunland led to any improvements in how the FDA will carry out this new authority in the future, especially as it relates to interaction with companies or businesses who are in violation of food safety standards?

Answer. FDA has continued to refine our internal processes for utilizing the new suspension of facility registration authority based on the valuable experience acquired during the Sunland activity. This acquired knowledge and experience will facilitate further use of this new authority for companies or businesses that present a significant risk to public health.

SMALL PRODUCER/PROCESSORS

Question. In writing the Food Safety Modernization Act, Congress included a number of provisions to ensure that small and very small farms and food businesses were not unduly burdened by new regulations. I am pleased to see that the agency has included in its proposed rules longer compliance periods and modified requirements for certain small farms and businesses.

Could you tell me what kind of feedback the FDA is getting from small farms and businesses on the proposed rules?

Answer. FDA has engaged in extensive outreach efforts to inform farmers and businesses of the provisions of the proposed produce safety rule and the proposed preventive controls rule for human food. In addition to three public meetings held across the country, there have been six State-sponsored meetings (Ohio, Michigan, North Carolina, California (2), Georgia) about the proposed produce safety rule and numerous other outreach sessions via meetings and webinars. These efforts have allowed the FDA to answer questions regarding the proposed rule and to hear feedback from its various stakeholders. Organizations and groups whose stakeholders include small farms and businesses have been included in this outreach plan. Some small farms and businesses have expressed interest in the agency's compliance and enforcement plans for the proposed rules as well as the process of a withdrawal of a qualified exemption. Questions have been raised about the potential cost of compliance with the rules, particularly certain water testing requirements in the proposed produce safety rule. Additionally, small farmers have asked questions about the requirements in the proposed produce safety rule for application of untreated biological soil amendments of animal origin. FDA's outreach efforts have provided a platform to provide information regarding these and other questions. Generally, this particular stakeholder segment has indicated their interest and appreciation for the flexibility that was built into the proposed rules, such as the fact that the proposed rules would not apply to certain small farms and businesses and the establishment of a framework for alternatives to certain requirements of the proposed produce safety rule. Small farmers and businesses have also inquired about the availability of technical assistance or potential avenues that can provide such assistance. It is important to note that the comment period for the proposed rules will remain open until September 16, 2013, and we anticipate receiving further feedback. FDA is committed to continuing to work with small farms and businesses, to address their concerns and ensure that the final rules are flexible and practicable while enhancing public health protection.

Question. I am concerned about the cost of compliance that FDA estimates for small businesses. I understand that FDA estimates that the costs to comply with its proposed produce rule for farms with less than $250,000 in annual revenue will face over $22,000 in compliance costs. These additional costs could make or break a small business.

Do you expect that these estimates are accurate?

Answer. Based on the data available and FDA's understanding of the current practices of the produce industry, these estimates represent the most accurate costs for a farm to comply with the proposed rule. The $22,000 estimate cited is actually an average cost for farms between $25,000 and $250,000 in annual revenue. This means that the cost of compliance may be higher for some farms closer to the high end of that distribution and lower for those farms closer to the low end. We recognize that the potential costs of the regulation are not trivial and that some covered farms, especially those that need to make significant changes in their practices to comply with the risk-based provisions of the rule, may find it difficult to comply. Therefore, when the rule is finalized we intend to offer considerable technical assistance to small farms, and to help them comply through later compliance dates for small and very small farms, guidance documents, and the efforts of the Produce Safety Alliance, a public-private partnership dedicated to the development and dissemination of science- and risk-based training and education programs.

Question. Could you discuss what the agency plans to do to assist small businesses, including businesses operated by limited resource producers and beginning producers, in complying with the proposed rules and in easing this cost burden?

In updating our Nation's food safety laws, Congress also recognized that training is an important part of a modern food safety system. Unfortunately, the current budget environment has made it difficult to provide additional funding for much-needed training for farmers and food processors on food safety practices.

Answer. Regarding the proposed produce safety rule, FDA is committed to working with the produce community and with partners in the U.S. Department of Agriculture (USDA), State agencies, and foreign governments to facilitate compliance through education, technical assistance and regulatory guidance. The agency recognizes that the time needed to comply will vary and as such, the rule proposes to phase in compliance dates based on farm size. FDA has, together with USDA's Agricultural Marketing Service, established a jointly funded Produce Safety Alliance (PSA), a public-private partnership, housed at Cornell University, that will develop and disseminate science- and risk-based training and education programs to provide produce growers and packers with fundamental food safety knowledge. A first phase of PSA's work is intended to assist farms, especially small and very small farms, in establishing food safety programs consistent with the Good Agricultural Practices Guide and other existing guidances so that they will be better positioned to comply when we issue a final produce safety rule under section 419 of the Federal Food Drug and Cosmetic Act.

In addition, FDA has also entered into a memorandum of understanding with USDA's National Institute of Food and Agriculture to establish a competitive grant program to provide food safety training, education, extension, outreach, and technical assistance to: (1) owners and operators of farms; (2) small food processors; and (3) small fruit and vegetable merchant wholesalers. FDA is currently working with USDA to execute the competitive grant program, which will prioritize projects that target small and medium-sized farms.

Regarding the proposed preventive controls rule for human food, FDA is committed to working with the food industry, especially small and medium-sized businesses, to facilitate compliance. The rule proposes to have later compliance dates for small and very small facilities. In addition, FDA, in cooperation with the Institute for Food Safety and Health, has created the Food Safety Preventive Controls Alliance to develop training courses and materials to help industry, particularly small- and medium-sized companies, when the rule is finalized.

Question. Could you discuss how FDA is addressing this need and what resources FDA would need to work with other agencies and organizations to address the need for training of processors and producers?

Answer. FDA is committed to working with the food industry and with partners in the U.S. Department of Agriculture, State agencies, and foreign governments to facilitate compliance through education, technical assistance and regulatory guidance.

We plan to work with our stakeholders to develop a network of institutions that can provide technical assistance to the food industry (including the farming community), especially small and very small businesses, as they endeavor to comply with the provisions of the final rules.

FDA intends to further facilitate compliance with the final rules through the development and dissemination of guidance, in multiple languages.

Additionally, FDA staff will continue engaging in various outreach efforts including listening sessions, webinars, teleconferences, and presentations as these provide the agency with an immeasurable opportunity to hear feedback from its various stakeholders.

FDA has requested $27 million and 21 FTEs in the fiscal year 2014 President's budget for the development of science-based standards and guidance documents that support industry adoption of preventive controls for food processing and produce safety standards, as well as to provide training and outreach to regulatory partners and industry on these new FSMA standards.

QUESTIONS SUBMITTED BY SENATOR ROY BLUNT

Question. Commissioner Hamburg, in addition to providing incentives for innovation, the Biologics Price Competition and Innovation Act was intended to expand access and lower the cost of life-saving and life-improving medicines.

How is the FDA progressing on implementing the pathway?

Answer. FDA continues to develop rigorous scientific standards to ensure that all biosimilar and interchangeable products meet these statutory requirements, and thus will be safe and effective. Some of this effort is reflected in three draft guidances FDA issued in 2012 that provide FDA's scientific recommendations on demonstrating biosimilarity, and we have begun developing guidance on additional key scientific issues as well. FDA is actively engaging with sponsors interested in developing biosimilar products to ensure that the development programs will provide the necessary scientific evidence to meet the statutory requirements for biosimilarity. Healthcare professionals and consumers can be assured that FDA will require licensed biosimilar biological products to meet the Agency's exacting standards of safety and efficacy.

Question. Have applications been filed or other significant actions taken by potential applicants?

Answer. To date, FDA has not received an application for a proposed biosimilar product. The Center for Drug Evaluation and Research (CDER) continues to meet with sponsors interested in developing biosimilar products. As of May 21, 2013, CDER has received 56 requests for initial meetings to discuss development programs involving 12 different reference products and has held 38 initial meetings with sponsors. Many biosimilar development programs that have had an initial advisory meeting with CDER have moved into the development phase and are requesting biosimilar product development (BPD) meetings. CDER is actively engaging with these sponsors, including holding BPD meetings and providing written advice, for ongoing development programs for proposed biosimilar products. To date, CDER has received 17 Investigational New Drugs (INDs) for biosimilar development programs, but several additional development programs are proceeding under a pre-IND.

Question. As to the naming of biosimilars, it is my understanding that the FDA in 2006 issued a statement in support of the international naming regime. Is that still the policy position of the FDA? If not, please explain what has changed and why?

Answer. FDA is currently considering the appropriate naming convention for biosimilar and interchangeable products licensed under the pathway established by the Biologics Price Competition and Innovation Act of 2009 (BPCI Act) enacted as part of the Affordable Care Act. FDA is carefully reviewing and considering the comments submitted to FDA's biosimilar guidance and public hearing dockets. We will take into consideration all received comments as we move forward in finalizing the guidance documents and developing future policies regarding biosimilar products and interchangeable products.

QUESTIONS SUBMITTED BY SENATOR MITCH MCCONNELL

Question. In my home State of Kentucky, prescription drug abuse is responsible for about 100 drug overdose deaths a month. I have received letters from law enforcement and public health officials expressing their concern with the effects this epidemic is having throughout my State. In light of these grave statistics, I would appreciate answers to my questions regarding FDA's recent activity to prevent further misuse and abuse of prescription drugs. FDA has informed Members of Congress that it has the authority under the Federal Food, Drug, and Cosmetic Act to require that generic versions of an innovator drug with abuse-deterrent features also include similar features as a condition of approval. In addition, FDA has stated it has the authority "to initiate procedures to withdraw non-abuse-deterrent versions already on the market." When and how will FDA act on this acknowledged authority to require non-abuse-deterrent drugs to be withdrawn from market?

Answer. If FDA concludes that an extended-release opioid drug product has abuse-deterrent properties, it has authority under the Federal Food, Drug, and Cosmetic Act (FD&C Act) to require generic versions of that product to also have abuse-deterrent properties. FDA recently approved labeling regarding the abuse-deterrent properties of one product, OxyContin (oxycodone hydrochloride) controlled-release tablets, and determined that a previous formulation of OxyContin was withdrawn for safety and effectiveness reasons, thus precluding approval of a generic version of the previous formulation. Because there were no approved generic versions of the previous formulation, there was no need for a withdrawal. FDA will continue to review other purportedly abuse-deterrent opioid drug products on a case-by-case basis and will take regulatory action regarding each product as appropriate.

Question. FDA's new drug product exclusivity regulations (21 U.S.C. 355(c)(3)(E)(iii)) prohibit the approval of an abbreviated new drug application (ANDA) for 3 years if certain criteria are met. While abuse-deterrent products are an important piece of prescription drug abuse prevention, providing access to lower cost, generic abuse-deterrent drugs is important for legitimate users. Does a new drug product applicant need to apply for additional exclusivity, or does FDA make the exclusivity determination regardless of the applicant's request?

Answer. FDA determines whether any of the available exclusivity periods under the FD&C Act applies to a given drug product at or after the time of approval of a new drug application (NDA). An NDA applicant is not required to specifically request exclusivity.

Question. Beyond Fast Track and Priority Review status, how does FDA plan to incentivize the development of generic and innovator abuse-deterrent formulations?

Answer. FDA is working in variety of ways to incentivize the development of abuse-deterrent formulations of drugs with the potential for abuse, with a focus on opioids. First, as called for in FDASIA section 1139 and in the Office of the National Drug Control Policy National Plan on Prescription Drug Abuse, we published a draft guidance entitled Abuse-Deterrent Opioids: Evaluation and Labeling, in January 2013. In it, in addition to laying out the studies and analysis the FDA is looking at when we consider new formulations for their effects to reduce abuse, we also included FDA's current thinking on how we will reflect those data in labeling. The goal of this last activity is to incentivize the development of new formulations of opioids that we determine to be abuse-deterrent, by including a clear description of their effects on abuse in labeling. To further this work, we are participating in a public meeting in the Fall to discuss the draft Guidance and solicit scientific input on improving it. We know that there is broad interest in the development of generic drugs with abuse-deterrent properties, and we are working internally on the science needed to give guidance on how we will evaluate those products. We also intend to discuss generics at the meeting in the fall. Finally, the FD&C Act also provides for certain periods of marketing exclusivity if the applicable criteria are met.

Question. What process and timeline will FDA use to make determinations on other innovator products on the market as to whether or not they meet the definition of abuse-deterrent and warrant a label change?

Answer. FDA plans to make determinations regarding other potentially abuse-deterrent opioid drug products as promptly as possible using our standard review processes. For a labeling change, for instance, a sponsor will normally submit an application to request approval of labeling describing a product's abuse-deterrent properties and FDA would notify them in a letter whether their proposed labeling language is approved once our review and decisionmaking is completed.

Question. How will these guidelines apply to generics seeking to come to market with abuse-deterrent features?

Answer. FDA has not published any guidelines regarding generic versions of opioid products with abuse-deterrent features. As stated previously, if FDA determines that an extended-release opioid drug product has abuse-deterrent properties, it has authority under the FD&C Act to require generic versions of that product to also have abuse-deterrent properties.

Question. How does FDA plan on monitoring the marketing of new abuse-deterrent products to ensure that unintended consequences of aggressive marketing tactics do not occur due to a label change?

Answer. FDA will monitor drug marketing practices with that concern in mind. FDA will apply the standards applicable to promotional claims concerning any prescription drug; that is, among other things, all such claims must be truthful and not misleading. 21 U.S.C. 352(a) and (n).

QUESTIONS SUBMITTED BY SENATOR SUSAN M. COLLINS

Question. Dr. Hamburg, I am pleased that the FDA issued the final guidance in November 2012 for the development of artificial pancreas systems. As you know, many of my colleagues and I are very interested in seeing that these potentially life-changing systems are made available to patients as soon as possible, with proper consideration given to safety and effectiveness. In development across the country but not yet approved by the FDA, these systems have the potential to address the serious problem of blood glucose control that exists for many people with type 1 diabetes using current treatments. Artificial pancreas systems could also save taxpayer dollars—a recent study found that Medicare could save almost $1 billion over 25 years with the use of this technology in adults. The FDA's official guidance is an important stepping stone in accelerating the development of the technology, as it provides the FDA's general expectations for conducting human outpatient clinical trials and for marketing approval of the devices. Dr. Hamburg, could you tell me how the FDA plans to support this momentum when new submissions for clinical trials or product approval are brought to you so that these innovative systems can be tested without delay and made available to those with type 1 diabetes in the near future?

Answer. We believe that the development of an Artificial Pancreas (AP) is within technological reach and have assigned significant resources to facilitate such development. At the beginning of 2012, we streamlined the AP application review structure. This has resulted in quicker reviews of investigational protocols and premarket submissions. Among those, we have approved several outpatient studies in adults and a diabetes camp study in children.

We co-sponsored a public workshop with the National Institutes of Health (NIH) and Juvenile Diabetes Research Foundation (JDRF) in March 2013. The workshop initiated a multidisciplinary discussion which will help to accelerate the development and delivery of an AP. We continue to pursue outreach efforts with researchers, clinicians, policymakers, manufacturers and patient advocates to help clarify expectations, and to help solve challenges as they arise. This collaborative effort is helping the FDA to make more rapid decisions on studies and will help to ensure that patients will receive these technologies as soon as possible. We look forward to working together with the diabetes community to advance quickly towards an approved AP.

Question. I also would like to inquire about the rules recently published for public comment by the FDA under the Food Safety Modernization Act. The proposed rule governing standards for produce safety includes most fruits or vegetables while they are in their raw or natural (unprocessed) state. Apple growers in Maine are concerned that some of the new requirements might be overly burdensome and expensive to implement. They also question the inclusion of apples in the rule since apples are not a fruit which has been responsible for any significant food-borne disease outbreaks in our country. I realize that the comment period for the rule has been extended, Dr. Hamburg, and I am interested to hear your comments on this issue.

Answer. The proposed rule's regulatory approach is aligned with the FDA Food Safety Modernization Act, which directs the Secretary to set forth procedures, processes, and practices that the Secretary determines are reasonably necessary to prevent the introduction of known or reasonably foreseeable hazards into produce and to provide reasonable assurances that the produce is not adulterated. As explained in the proposed rule, we tentatively concluded that an approach that considers both the risk associated with the commodity and that associated with the agricultural practices applied to the crop under the conditions in which it is grown would provide the most appropriate balance between public health protection, flexibility, and appropriate management of different levels of risk.

The Produce Safety rule, as proposed, does not cover produce that is documented to receive commercial processing that adequately reduces the presence of microorganisms of public health significance. An example of commercial processing that meets this requirement is processing apples into juice in accordance with the Juice HACCP regulation (21 C.F.R. Part 120). In addition, the types of produce the Agency proposed to cover have one or more pathways through which they can become contaminated. FDA is proposing that farmers control only pathways that are relevant to their crop. For example, generally, water used for drip or furrow irrigation in apple orchards would not be subject to the proposed rule's requirements for agricultural water because the water is unlikely to contact the harvestable portion of the crop.

We considered covering only those produce commodities or commodity groups that had been associated with foodborne illness outbreaks. Because only a small percentage of outbreaks are both reported and assigned to a food vehicle, outbreak data may not provide a complete picture of the commodities upon which we need to focus to minimize current and future risk of illness.

Our data show that the patterns of outbreaks associated with produce commodities change over time. Occasionally a produce commodity that has not previously been linked to foodborne illness is associated with an outbreak. For these and other reasons discussed in detail in the proposed rule, our regulatory approach does not rely solely on a static list of commodities prepared solely from a history of outbreaks. In the Produce Safety proposed rule, we explicitly seek comment on our tentative conclusions related to our proposed regulatory approach. FDA will reach its final conclusions on this issue after considering comments received. The comment period for the proposed rule closes on September 16, 2013.

Question. I would like to ask for your thoughts on a topic that has received a great deal of news coverage in recent years and one that is of much interest to many of my constituents, which is the issue of antimicrobial resistance. I have been working with Senator Gillibrand on legislation that, among other things, would call for the FDA to conduct a pilot study to better determine relationships between sales and use data of food animal drugs, and trends in antimicrobial resistance. As you know, each year the FDA's Center for Veterinary Medicine publishes sales data on the total volume of antibiotics used in the United States in food animals. Section 105 of the Animal Drug User Fee Act of 2008 requires antimicrobial drug sponsors to annually report not only the amount of antimicrobial active ingredient in the drugs they sold or distributed for use in food-producing animals, but also requires animal drug sponsors to list the target animal and production class specified on the approved labels of the products. The summary data that the FDA publishes each year, however, reports only total sales volume. Is FDA able to provide more specificity in this summary data in future reports, to include target animal species and production class, since this data is already required to be reported?

Answer. On July 27, 2012, FDA published an Advance Notice of Proposed Rulemaking (ANPRM) to solicit comments from the public on possible enhancements to the existing requirements related to the collection of antimicrobial drug sales and distribution data. The ANPRM also solicited input on alternative methods for monitoring antimicrobial use in food-producing animals.

Based on comments received, FDA is currently developing enhancements to the content and format of its annual summary report on the sale and distribution of antimicrobial drugs intended for use in food-producing animals. These enhancements would be consistent with current requirements. For example, FDA is exploring alternative approaches for reporting the data it currently receives. This includes approaches suggested in comments submitted in response to the July 2012 ANPRM, including presenting the data by dosage form, medical importance, and marketing status (i.e., over-the-counter drugs, prescription drugs, or the Veterinary Feed Directive Guidance). FDA expects to use such an enhanced format when it summarizes the data reported for 2012.

FDA also expects to utilize the rulemaking process to enhance existing requirements related to the collection of drug sales and distribution data. For example, FDA is examining the feasibility of establishing requirements for obtaining estimates of sales broken down by animal species. Currently, sales data is not required to be reported by target animal species.

To supplement the sales/distribution data that it already receives, FDA is also exploring possible mechanisms for collecting additional information that would be more reflective of what antimicrobial drugs are actually being used in food-producing animals, including information that could be used to correlate drug use practices with trends in antimicrobial resistance.

Question. Are you able to provide the Committee an idea of when the final version of Guidance for Industry No. 213 might be published?

Answer. A final version of Guidance for Industry No. 213 is currently undergoing review and clearance. Although FDA does not have a specific timeline, publication of final Guidance for Industry No. 213 remains a top Agency priority for 2013.

QUESTIONS SUBMITTED BY SENATOR LAMAR ALEXANDER

Question. The budget for FDA includes an unprecedented amount of funds from industry user fees. Just last year, we established a new generic drug user fee program to help get more of these products to patients more quickly. However, I have heard from a constituent that the generic drug establishment fee would put them out of business, and they had no time or idea they needed to plan for the over $170,000 bill they received in March.

How can we work together to make sure that all parties that will be affected are involved in the user fee negotiations, and how can we ensure that in the first year of new user fee programs that adjustments can be made as necessary to protect small businesses from unintended consequences?

Answer. FDA engaged in significant public outreach, including convening a number of public meetings with industry and other stakeholders, to discuss GDUFA and the progress of negotiations.

A fee waiver was considered during negotiations and rejected because it would have diminished the number of companies required to pay the fees which, in turn, would have raised the fees for the fee-paying companies. Unlike brand manufacturers, the majority of generic companies are small businesses.

Furthermore, an exemption would have added to the administrative cost of the program by requiring additional staff to determine which companies met the exemption and handle disputes. This would have diverted user fee funds away from activities in support of meeting the goals contained in the user fee agreement, or would have required higher fees to accommodate the increased administrative complexity.

Small and large generic companies alike are expected to benefit significantly from reductions in the review time needed to commercialize their products and from the certainty associated with GDUFA performance review metrics and program efficiencies.

FDA does not have the current authority to create a fee waiver or reduction provision for small businesses.

During the next round of generic drug user fee negotiations, FDA will again invite industry trade associations to participate in negotiations and hold open public meetings to provide a forum for industry, and other stakeholder input. All interested parties are encouraged to provide input.

Question. In 2009, Congress passed the President enacted the Family Smoking Prevention and Tobacco Control Act, providing FDA broad authority to regulate tobacco products. I have a few questions on the implementation of this law.

How did your department adjust and align FDA's new authority with the authority of other HHS agencies to reduce duplicative programs and target resources?

Answer. FDA's responsibility with respect to tobacco control activities is to protect the public health by regulating the manufacture, distribution, and marketing of tobacco products, and educating Americans, especially young people, about tobacco products and their dangers. FDA works closely with other Federal public health agencies to ensure the various tobacco programs are coordinated and are not duplicative.

The Tobacco Control Act authorizes FDA to collect quarterly fees from the tobacco industry. These fees are to be available only for the purposes of paying the costs of activities that support the regulatory mission of FDA-related to tobacco products. Furthermore, the Tobacco Control Act specifies that these tobacco user fees are the only funds authorized to be made available for FDA's tobacco regulation including research, compliance and enforcement, and science-based public education campaigns addressing the dangers of tobacco use.

FDA has put a comprehensive financial stewardship plan in place to ensure that tobacco user fees only support its regulatory activities. Although many agencies and offices in HHS, including FDA, are working together to address the significant public health concerns created by the use of tobacco products, FDA does not, for example, provide direct cessation services or engage in community-based tobacco prevention activities, as some other HHS agencies do.

Question. It is my understanding that there hasn't been a single product approved under this new law. Innovation will be necessary to reduce harm and give people who can't quit less risky alternatives. FDA focuses a lot on innovation, and how does that focus relate to the concept of tobacco-related harm reduction?

Answer. To date, FDA has not received any new tobacco product applications and none of the modified risk tobacco product applications it has received have been accepted for filing. However, FDA has received over 3,000 "provisional" substantial equivalence (SE) reports for tobacco products introduced into interstate commerce between February 15, 2007, and March 22, 2011, for which a report was submitted prior to March 23, 2011. These provisional products can remain on the market unless FDA finds that they are "not substantially equivalent." FDA has also received more than 500 "regular" SE reports for new products that manufacturers intend to introduce to market.

FDA reviews all SE reports as expeditiously as possible and will continue to do so; however, FDA has observed deficiencies in nearly all initial SE reports reviewed to date from different tobacco product manufacturers. As the quality of reports improves and FDA gains more experience reviewing them, FDA expects both the review times and the backlog to decrease.

With respect to innovation, tobacco companies have recently introduced newer forms of tobacco products. FDA is funding research to better understand these newer products with regard to their relative risks compared to other tobacco products. It is critically important to evaluate these products not only in terms of the relative health risks to individuals, but also to consider the likelihood that nonusers will start using the product, users who would otherwise stop using tobacco products will switch to the new product, tobacco users may use the new tobacco products in combination with other products, and former users will begin using the new product.

The Modified Risk Tobacco Product provisions of the Tobacco Control Act may be valuable tools in the effort to protect public health by reducing the morbidity and mortality associated with tobacco use, particularly if tobacco product manufacturers can adequately demonstrate that product changes will substantially reduce, or even eliminate altogether, either the toxicity or addictiveness of tobacco products, or both.

FDA is also funding research on reduced nicotine cigarettes, smokeless tobacco products, and the diversity of tobacco products including new and emerging tobacco products to inform the advancement of harm reduction at both the individual and population level.

Questions Submitted by Senator Daniel Coats

Question. Medical device manufactures, while supportive of unique device identifiers (UDIs), remain concerned regarding implementation of the Proposed UDI Rule. These concerns include the FDA requirement that UDIs be applied to products in their existing inventory, as well as the requirement that UDIs be applied directly onto each implantable product, otherwise known as Direct Part Marking (DPM). Many medical devices have a significant shelf life allowing for products to remain in inventory for longer periods of time. Additionally, some segments of the medical device industry utilize the consignment model, meaning that devices remain under company control and are not sold to the customer until they are used or implanted. This method is used to ensure patients have the most appropriate options. Should the Proposed UDI Rule apply to these products, device manufacturers would be forced to recall each device to apply a UDI, potentially interrupting patient care. Additionally, because the UDI should already be in the patient record at the time of implantation, there doesn't seem to be any additional utility to place it directly on an implantable device.

Please describe what steps the FDA is taking to consider the effects this UDI rule may have on patient quality and choice, as well as the burden placed upon medical device manufacturers and customers.

Answer. FDA has reviewed the comments submitted to the UDI proposed rule—including a significant number that addressed the existing inventory issue and the direct marking requirement for implants. Although FDA cannot discuss how it will address these comments while the rule remains in clearance, we wish to assure you that we take these concerns very seriously and note that FDA's goal is not to require device manufacturers to recall or re-label already finished medical devices. Requiring manufacturers to mark medical devices with unique identifiers will improve postmarket surveillance and patient safety. Device tracking will ensure more efficient device recalls by assisting manufacturers, providers, hospitals and patients with quicker identification and remediation of faulty devices. We believe that the final rule appropriately strikes a balance between the needs of patients, clinicians, the healthcare system, and FDA—and the concerns of the medical device industry.

In addition, FDA is taking a number of steps to ensure that the UDI will support patient safety, quality and choice. FDA's Global Unique Device Identification Database (GUDID), which will contain a robust set of data for every device marked with a UDI, will be publicly available and will allow patients and clinicians to search for the appropriate device. In addition to our work with the medical device industry FDA is also working with numerous stakeholders, including the Brookings Institution, National Coordinator for Health Information Technology (ONC), Centers for Medicare and Medicaid Services (CMS), private payers, solution providers, hospitals and Integrated Delivery Networks (IDNS) on the adoption and implementation of UDI throughout the healthcare system and the lifecycle of medical devices.

SUBCOMMITTEE RECESS

Senator PRYOR. This subcommittee will meet again on Thursday, May 9 at 10 a.m. in this room, where we will have testimony from Secretary Vilsack regarding USDA fiscal year 2014 budget.

Again, I want to thank everyone for being here, and this hearing is recessed.

Dr. HAMBURG. Thank you.

[Whereupon, at 11:46 a.m., Thursday, April 18, the subcommittee was recessed, to reconvene at 10 a.m., Thursday, May 9.]

AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2014

THURSDAY, MAY 9, 2013

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:40 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Mark L. Pryor (chairman) presiding.

Present: Senators Pryor, Johnson, Tester, Udall, Merkley, Blunt, Cochran, Moran, and Hoeven.

DEPARTMENT OF AGRICULTURE

OFFICE OF THE SECRETARY

STATEMENT OF HON. THOMAS J. VILSACK, SECRETARY

ACCOMPANIED BY MICHAEL YOUNG, BUDGET OFFICER

OPENING STATEMENT OF SENATOR MARK L. PRYOR

Senator PRYOR. We'll go ahead and call this hearing to order. I want to thank everyone for coming and being here today.

We have two panels today. The first will be Secretary Tom Vilsack, who will be accompanied by Mike Young, the Chief Budget Officer. I'd like to welcome you both and say thank you for being here, and we appreciate hearing from you today.

Secretary Vilsack, we've visited many times and a few times even since I have become the chairman of the subcommittee. And I think that we've been able to accomplish some really good things together. And I look forward to continue working with you on all manner of things that relate to your Department and very important policies that you have to deal with in these very challenging times. So I look forward to doing that with you and thank you again for being here.

And on the second panel, we'll hear from the USDA Inspector General Phyllis Fong. We appreciate her being here, and we look forward to hearing from her as well.

And there's an old saying that a person with food has many problems, but a person with no food has only one problem. I think that that really sums up the importance of USDA and highlights the reason it's referred to as the people's Department.

American farmers not only feed this country but they feed people around the world. The challenges facing America's farmers, however, are rapidly growing and changing. When USDA was established by President Lincoln in 1862, almost one-half of the U.S. population lived on farms. Today, it's about 2 percent. Yet, the world's demand for food and feed and fiber continues to increase, and it is expected to double by the year 2050.

Our population at that point supposedly is going to be about 9 billion people. So the farmers have to produce more and do more with less. They're going to have less land. There's going to be greater competition for bioenergy and other uses of agricultural products. There's going to be a laser-focus on stewardship of the land and, unfortunately, increasingly unpredictable weather patterns.

And I have no doubt that America's producers will rise to the occasion. They're working harder and smarter than ever before. There's a reason why Thomas Jefferson called agriculture science of the very highest order.

And I know in a few moments, Secretary Vilsack is going to want to talk to some about research and innovation and the science involved in what he does. And at this moment in time, America's investment in agriculture is clearly paying off.

Adjusted for inflation, 2013 net farm income is expected to be the highest since 1973. The United States has exported $478 billion worth of agricultural products over the last 4 years.

In Arkansas, for example, agriculture is our number one industry. It's going to be either number one or, in some States, number two, but always in the top three in every single State of the most important industries in that State.

Our farmers produce more than 50 percent of U.S. rice. We're also number two in poultry and eggs. We have over 49,000 farms. We have a big timber presence. We have a very diverse portfolio in Arkansas, as most members here on the subcommittee do.

And so agriculture is a big deal in our States, and it's something that we want to do well. But the challenges remain. The USDA must do everything it can to continue to support farmers and rural America, because their hard work supports all of us.

So let's take a look at USDA budget for 2014. Overall, the funding is less than that of 1 year ago. And within that total, there's a $100 million increase for Rural Development, Rental Assistance Grant. There's an increase for Farm Service agencies. There's an increase for competitive research and the Women, Infants, and Children (WIC) program.

However, the downside would be that we're seeing some decreases in water and waste grants. There's approximately $500 million less to make loans for single-family homes. The Public Law 480 program, which has fed more than 3 billion people in a 150 countries since its inception in 1954 is dismantled in this budget.

There's, obviously, much more in the budget than these few points I mentioned, and I look forward to hearing from the Secretary and all of the Senators and others about what we're going to go into here in this hearing.

So I hope that we'll discuss the impact of the sequester. I know that's something that the Secretary is vitally interested in. And I share the view that I think most do, that the sequester is a very imprecise, not very smart way to do this. We need to be more targeted and smarter about how we do our cuts. But nonetheless, that's where we are today.

So we have a lot to cover, and I want to cut my comments short here and go ahead and recognize Senator Blunt for his great work and recognize him for his opening statement.

STATEMENT OF SENATOR ROY BLUNT

Senator BLUNT. Thank you, Chairman. I'm very pleased to be on this subcommittee and pleased to be serving with you, looking forward to your leadership of the subcommittee.

This is, actually, the second hearing we've done since Chairman Pryor took over the chief responsibility for this subcommittee, and we have worked together on other things before. And I look forward, certainly, to working with him and the other members of the subcommittee to do what needs to be done and to do our best to get what needs to get done accomplished in the right way.

Secretary Vilsack, Mr. Young, we're certainly glad that you're here today. I might have a couple of other comments before we get to the second panel. But I think I'll just restrict my comments right now to the overall view of what I think we need to be thinking about.

Certainly, as the chairman has already said, agriculture plays a critical role in our country. It's been an unbelievably competitive industry in exports as well as feeding the American people.

In Missouri, agriculture is always considered the number one driver of our economy. And in every State, agriculture is high on the list of things that make the economies of those States work.

Challenges are out there. Last year, about 80 percent of agricultural land across America experienced drought. It was the most extensive drought since the 1950s. All 114 Missouri counties were declared a disaster area because of that drought, and many of them with such dry conditions that they ranked among the worst in the country.

The effects of the drought had been far-reaching, particularly on the livestock industry, which is important in all of our States. And there's not the kind of robust risk management program in livestock like there is in crop insurance, particularly with the expiration of the livestock disaster program in 2011. These producers really haven't had a safety net to rely on for almost 2 years.

As a result, there has been a lot of liquidation of herds resulting in the lowest number of U.S. cattle since 1952. Missouri's cattle herd declined by 300,000 last year. And of course, that has lots of far-reaching consequences whenever young cows are sold off and don't become part of the replenishing crop of cattle and livestock.

I've introduced legislation that would extend the livestock disaster programs so that these producers receive some assistance. I hope we're able to discuss that today and after today.

We all know the size of Government has grown beyond its means, which is why we have to prioritize what we do. The President actually proposed a budget that is lower than the fiscal year 2013 funding levels for the U.S. Department of Agriculture. Most of this reduction, however, was a result of the administration's proposal to shift about $1.5 billion in funding for the Food for Peace

Program to the accounts that would be administered differently than Food for Peace under State and Foreign Ops.

I actually think Food for Peace has been a cornerstone of America's humanitarian assistance since the mid-1950s. It plays a vital role in linking the American farmer with the developing world, and it's the largest and most consistently supported food and agriculture development assistance program we provide. I think the polling would indicate it's the most popular of all the foreign assistance programs.

I have what I believe to be a legitimate concern that the proposed changes are shortsighted. I hope we continue with Food for Peace and a more traditional view of Food for Peace. And I'm sure we can talk about that today, as well.

If you actually put Food for Peace back in the USDA budget, it's a little higher. There's a net increase over last year, and I would think that would be the right thing to see happen here.

So I'm looking forward to your testimony. We look forward to the chance to ask questions and work with the Department, both in research and management. The fact that USDA has been able to work with the line-by-line budget changes without having to furlough employees says a lot about your management, Mr. Secretary. And, again, I'm glad you're here and grateful to the chairman for leading this discussion in this hearing today.

Senator PRYOR. Thank you, Senator Blunt.

And would anybody else would like make an opening statement?

STATEMENT OF SENATOR TIM JOHNSON

Senator JOHNSON. Mr. Chairman, I'm pleased to join you in welcoming the distinguished Secretary to our hearing, and I ask unanimous consent the balance of my remarks be printed in the record.

[The referenced statement was not available at press time.]

Senator PRYOR. Without objection. Thank you.

Thank you all for being here, and we'll put everyone's statements in the record.

Secretary Vilsack, welcome to the subcommittee. We're glad to have you here and look forward to hearing from your testimony.

SUMMARY STATEMENT OF HON. THOMAS J. VILSACK

Secretary VILSACK. Mr. Chairman, thank you very much. And I appreciate your comments, as well as Senator Blunt's comments.

I appreciate the opportunity to be here this morning. And first of all, I probably should thank you and Senator Blunt and the members of this subcommittee for your assistance and help on the food inspection issue, which was critically of concern to us. And you all helped us get through that process, and I want to thank you for that.

Budgets are very difficult and challenging work, especially in this environment. You're balancing the need to expand economic opportunity and to help America's farmers and ranchers at the same time we're dealing with constrained budgets.

I'd like to talk to you for just a few minutes about this budget and then be happy to answer questions.

Let me point out that, currently, we are working with a budget in 2013, and this would also be true if our budget were passed in

2014, that will be below the discretionary budget authority that I had when I became Secretary in 2009.

Currently, we're dealing with a budget that is about $1 billion below where it was in 2009 in terms of our discretionary authority. We're also taking a look at a reduced workforce, roughly 8,000 fewer workers at USDA than when I became Secretary.

But the level of service that's being provided by those at USDA continues to be at record levels. In fact, you can take a look at agricultural exports, you can look at conservation, you can look at the Farm Service loan portfolio, or Rural Development's loan portfolio, and what you will see is at or near or exceeding record levels of activity.

So, essentially, what we're proposing is a continuation of our effort to try to rebuild the rural economy and to continue to provide assistance and help to the greatest farmers, ranchers, and producers in the world.

Let me specifically tell you what this budget does. It continues to allow the extension of credit to 134,000 producers in this country with a focus on beginning farmers and ranchers. It makes a strong commitment to a strong safety net, $9.6 billion in crop insurance assistance. And, as Senator Blunt has suggested, it also provides for a reinstatement of the Disaster Assistance Programs that were discontinued in 2011 that are so vital to our livestock and dairy industry.

It aggressively continues our effort to promote trade. Mention was made of the fact that we're now at historic levels in terms of agricultural trade. We want to continue to promote trade around the world, and we want to continue to reduce sanitary and phytosanitary barriers that are being constructed that are not science-based and not rules-based.

This budget supports a fair and transparent market system. It continues our efforts to protect our crops and plants and animals from deadly pests and diseases and, specifically, proposes a $20 million initiative reducing feral swine.

It modernizes our research facilities, especially a poultry facility, which we are suggesting needs to be modernized and built in Georgia.

It significantly increases our commitment to agricultural innovation. The reality is that we have flat-lined research for far too long in this country in terms of agriculture. And if we continue along that trend, we'll see a decline in productivity at a time when we need to continue to increase agricultural productivity.

This budget simplifies our conservation programs but will add 26.3 million acres to our record number of acres enrolled in conservation, and will help 80,000 farmers and producers do a better job of conserving the land and the water.

It will continue to support all levels and all types of agricultural production, including organic production, a rapidly growing and expanding area of agriculture. And it will continue our commitment to improving technology in our Farm Service Agency offices through the MIDAS program. We anticipate and expect this year we'll begin to see significant positive movement in MIDAS with a completion in 2014.

For those who are looking to expand economic opportunity in rural America, this budget commits nearly $1 billion to support small-business development and expansion, with particular emphasis on clean and renewable energy opportunities, bio-based manufacturing, and local and regional food systems.

It commits nearly $7 billion to improving utility services, providing cleaner water, expanding renewable energy opportunities, as well as broadband, the basic infrastructure for rural America. It will support 1,700 community facility improvements and will make homeownership a possibility for 174,000 rural families.

This budget also focuses on our efforts to renew our forests and provide our working lands with a greater resilience to a changing climate. It protects our families through improved food safety. It supports our efforts to provide nutritious food to all Americans, particularly those in need and particularly our children. It focuses and proposes a significant opportunity to extend dietary guidelines for children 0–2. And it increases and improves significantly our SNAP integrity efforts.

Finally, I would say that we're also cognizant of the need for us to contribute to deficit reduction. This budget basically identifies $39 billion over a 10-year period in deficit reduction. There are issues relating to crop insurance and conservation at water projects that this subcommittee may want to talk about. But I'd like to specifically talk about two briefly.

One is that we are not providing additional funding for payments to Brazil, the cotton dispute that emanated from a WTO ruling. We've been paying about $140 million a year for the last several years. It is important and, I think, necessary that we get a 5-year farm program to solve this Brazilian cotton problem, so that we stop paying the Brazilians.

Mention has been made of the food aid issue. I'm sure that we'll talk about that further, but I do need to point out that what is being proposed will allow us to feed 4 million more people, probably shaves somewhere between 11 and 14 weeks off getting aid to folks but still provide opportunities for the purchase and utilization of American agriculture. At least 55 percent of the money will be spent with American agriculture.

So I look forward to the opportunities. I'll just leave you with two interesting statistics that I think speak to the challenge that we face in rural America. Thirty-two thousand farm families—32,000 farm families—are responsible for 50 percent of the agricultural production in this country. And that suggests and speaks that there's just been extraordinary increases in productivity and efficiency.

The problem with that, obviously, is that we, obviously, have fewer farmers today than we've had in some time. And that has reflected itself in a statistic that, for the first time, we've actually had a decline in rural population.

So I think the challenge for all of us in this area is to continue to figure out ways in which we can complement American agriculture and productivity to be able to provide opportunities for young people to live, work, and raise their families in rural communities.

PREPARED STATEMENT

I believe this budget basically lays a strong foundation for doing that, and I look forward to answering the questions the subcommittee has.

Thank you, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF HON. THOMAS J. VILSACK

Mr. Chairman and distinguished members of this subcommittee, I appreciate the opportunity to appear before you to discuss the administration's priorities for the Department of Agriculture (USDA) and provide you an overview of the President's 2014 budget. I am joined today by Joseph Glauber, USDA's Chief Economist, and Michael Young, USDA's Budget Officer.

The USDA under President Obama's leadership has taken significant steps to strengthen the rural economy and provide a foundation for continued growth and prosperity. These efforts have had a significant impact in rural America, where the seasonally adjusted unemployment rate fell to 7.7 percent for the third quarter of fiscal year 2012—down from a peak of 9.5 percent in late 2009. In particular, agriculture remains a bright spot in our economy. The resilience of American farmers and ranchers has helped to support 1-in-12 U.S. jobs. Net farm income remains strong, and the farm debt-to-asset ratio is at a record low today. Fueled by new trade agreements with Panama, Colombia, and South Korea, American agricultural exports are surging—with more than $478 billion in exports over the last 4 years. Our farmers and ranchers achieved these results even in the face of the worst drought in generations, and the uncertainty posed by the lack of a comprehensive, multi-year food, farm and jobs bill. Challenges still remain for agriculture—especially for America's livestock and dairy producers, who continue to struggle today with low margins and high input costs.

With the passage of the Consolidated and Further Continuing Appropriations Act, 2013, we appreciate that Congress provided the funding necessary to avoid a costly and disruptive nationwide shutdown of meat and poultry plants. Congress also enabled USDA to continue providing nutrition assistance, education and other services to improve the nutritional status and health of the total 8.9 million low-income women and children estimated to participate in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). However, the act not only continued the across-the-board reduction for most programs as required by sequestration, it added on two separate across-the-board rescissions for agriculture programs. As a result of these actions, the Department's total discretionary operating budget for 2013 has been reduced by over $570 million below the 2012 enacted level and over $1 billion below fiscal year 2009.

These reductions in USDA's operating budget come at a time when our staff are doing more work than ever before. Over the past decade, USDA's agencies have leveraged efficiencies to manage a workload that has increased due to a greater number and complexity of programs and higher participation levels, while staff resources to manage that increased program activity have declined by over 12 percent. For example, the Risk Management Agency (RMA), Food and Nutrition Service (FNS), Rural Development (RD), and Farm Service Agency (FSA) have all seen increases in workload, while staffing has decreased in all of these agencies during that time. The scope and complexity of USDA programs reflects the challenge we face to manage taxpayer dollars effectively and deliver record levels of service.

I am proud of USDA staff for stepping up and getting the job done. Over the past 4 years, USDA has achieved record results on behalf of rural Americans, creating thousands of jobs in the process. We provided a strong safety net for agricultural producers. We expanded trade agreements around the world, while breaking down unfair trade barriers to level the playing field for U.S. producers. USDA enrolled a record number of acres in conservation programs, while modernizing the ways in which we manage forest lands. We provided record amounts of credit in rural America—from farm loans to assistance for rural businesses and families. USDA strengthened food safety testing to protect Americans from foodborne illness. We led the way to create a generational change to improve child nutrition, while helping millions of families put food on the table. USDA research continues to help feed a growing population, while generating $20 in economic benefits for every $1 invested.

Meanwhile, USDA has made a comprehensive effort to achieve targeted, commonsense efficiencies. Under the Blueprint for Stronger Service, USDA agencies cut costs and modernized operations to become more efficient. In the past year, agencies have carried out workforce reductions, closed offices and laboratories, implemented modern cloud computing efforts and taken other actions to continue to lower costs. We have disposed of excess and underutilized property. Agencies reduced expenses for travel, printing, supplies, and advisory contracts. USDA has reduced travel spending by more than 42 percent over 2010 levels. In total, all of those efforts saved taxpayers more than $700 million.

Despite our best efforts to prepare for additional funding reductions through prudent practices, such as hiring freezes and limiting operating costs, we cannot forestall the negative impact of reduced funding in every area. Our ability to provide oversight and servicing is likely to be impacted by cuts and we will work hard to minimize the impact to the extent possible on farmers, ranchers, and growers while protecting the integrity of the programs.

While we have achieved significant savings, the reductions contained within the 2013 full-year continuing resolution will result in a reduction of some program services. For example, the reduced level of program funding will mean that rental assistance will not be available for more than 15,000 very low-income rural residents, generally elderly, disabled, and single female heads of households, who live in multifamily housing in rural areas. Our conservation efforts will suffer as the Natural Resources Conservation Service (NRCS) will not be able to assist over 3,500 farmers and ranchers in developing conservation plans, which position them for participating NRCS conservation programs. Further, conservation benefits will be lost with fewer conservation plans being implemented as well as fewer conservation practices being implemented with the assistance of mandatory programs affected by across-the-board sequester cuts, such as the Environmental Quality Incentives Program (EQIP). Our State partners will see a reduction in assistance for pest and disease prevention, surveillance, and response, potentially leading to more extensive outbreaks and economic losses to farmers and ranchers. Reductions to Agriculture and Food Research Initiative (AFRI) and mandatory funded research programs will result in 200 fewer grants for agricultural research conducted by both university scientists and private partners in areas such as bioenergy, organic production, specialty crops, and beginning farmer and rancher development.

As outlined above, we have taken steps to deeply reduce USDA's operating expenses over the past 2 years. The spending cuts enacted for 2013, however, severely limit our ability to deliver critical programs for the American people. The President's 2014 budget request would put us back on track to continue the revitalization of rural America, while achieving targeted reductions.

In total, the 2014 budget we are proposing before this subcommittee is $139 billion, of which $121 billion is mandatory funding. The budget provides mandatory funds to fully support estimated participation levels for SNAP and Child Nutrition.

It is my hope that Congress will continue to support our efforts to strengthen rural America and provide more certainty for American agriculture by enacting a comprehensive, multi-year food, farm and jobs bill. The farm bill provides for delivery of critical programs by USDA, including programs for farm commodity and price support, conservation, research, nutrition, food safety, and agricultural trade. The next 5-year farm bill should promote Rural Development, preserve a farm safety net, enhance conservation, honor our World Trade Organization commitments, maintain strong nutrition programs, and advance agricultural research. In light of the Nation's long-term fiscal challenge, the legislation should also contribute meaningfully to deficit reduction.

The 2014 President's budget includes a number of legislative proposals that produce savings to reduce the deficit, while maintaining a strong safety net for American agriculture. The proposed legislation would reduce the deficit by $38 billion over 10 years compared to current baseline spending. The savings would result from eliminating direct farm payments, decreasing crop insurance subsidies, and better targeting conservation funding to high-priority areas. The legislation also proposes to extend some disaster assistance programs, including the Livestock Forage Program (LFP), Livestock Indemnity Program (LIP), for the 2014 through the 2018 crops and provides additional support to dairy farmers through expansion of the dairy gross margin insurance program. The administration remains strongly committed to programs that create jobs, expand markets for existing products, and help develop the next generation of farmers and ranchers. To accomplish those goals the budget proposes an additional $1.3 billion in mandatory funding to strengthen renewable energy capacity in rural America, continue to create new markets and opportunity for organic agriculture, further promote specialty crops, and train the next generation of beginning farmers and ranchers.

The administration also continues to support SNAP, a cornerstone of our Nation's food assistance safety net. As the Nation continues to recover from the worst economic crisis since the Great Depression, SNAP has provided critical temporary assistance to help families get through these tough times and back on their feet as soon as possible. While participation has increased, the rate of this increase has been declining since January 2010. Both the administration and CBO project that SNAP participation will peak this year and then begin to fall—consistent with past economic downturns. Even as the economy recovers, SNAP will remain a critical support for children, the elderly, and minimum wage workers, who struggle to afford to put food on the table. Program benefits are modest—averaging only $134 a month—and are scheduled to be cut this fall. A temporary increase enacted around the start of the recession will expire on November 1, leading to an average cut of approximately $20 per family. The budget once again proposes to extend the availability of enhanced SNAP benefits through March 31, 2014.

Although SNAP operates with a high degree of program integrity, any waste, fraud, or abuse in a program of its size is important to eliminate. As part of our aggressive actions to ensure integrity, last year USDA took action to impose sanctions on 692 stores found violating program rules and to permanently disqualify 1,387 stores for trafficking in SNAP benefits. SNAP payment accuracy rate is at a record high of 96.21 percent, and the 2014 budget includes funds to expand existing SNAP integrity efforts to further reduce payment error, trafficking and other recipient and retailer concerns. We also propose funding to enhance integrity efforts in the other major nutrition assistance programs.

For discretionary programs of interest to this subcommittee, our budget proposes $18 billion, approximately $109 million below the 2013 enacted level. That level fully funds expected WIC participation. It provides the funding needed to meet our responsibility for providing inspection services to the Nation's meat and poultry establishments. The budget also includes over $1 billion to renew all outstanding contracts for rental assistance. It meets the growing demand for farm credit with sufficient funding to serve over 34,000 producers in 2014 seeking to finance operating expenses, to acquire a farm, or keep an existing one.

As I previously mentioned, agricultural research is a proven investment. It is important to increase our investment in research and education, which has proven to be a powerful strategy to boost farm productivity, and has contributed to creation of jobs and enhancing rural economies. As farmers and ranchers face challenges from more frequent and more intense extreme weather conditions, we are focused on providing best practices and workable strategies to adapt to the changes and mitigate the impact. The budget makes a significant investment in the AFRI and our laboratory infrastructure. The budget also requests funding to design and construct facilities to replace the severely outmoded Southeast Poultry Research Laboratory (SEPRL) in Athens, Georgia. SEPRL has facilities that were constructed in 1964 and 1976, and whose limitations now prevent critical, cutting edge research from being conducted. Construction of a new facility will enable ARS scientists to more adequately address emerging or exotic poultry diseases that threaten not only the Nation's poultry industry but also the health of Americans.

The budget places an emphasis on creating new market opportunities presented by emerging markets for biofuels and clean energy and the development of local and regional food systems. The 2014 budget also replaces a number of existing programs with a new economic development grant program designed to target small and emerging private businesses and cooperatives in rural areas with populations of 50,000 or less. The Rural Business and Cooperative Grants Program will improve the agency's grant allocation process and will leverage resources to create greater opportunities to improve regional economies. We will work to expand our efforts to assist the Nation's farmers and ranchers in taking advantage of increased consumer demand for locally and regionally produced foods through on-farm research, support for value-added production, farm-to-school efforts, and other venues. We will continue our market development programs and expand foreign market access for U.S. agricultural exports, including USDA efforts in the Trans-Pacific Partnership and the newly announced Transatlantic Trade and Investment Partnership with the European Union. As organic food production increases and becomes a more critical part of the agriculture balance sheet, we will expand our efforts to protect the integrity of the organic label and expand organic opportunities with our trading partners.

The budget supports our continuing efforts to help all Americans, and particularly school children, make the healthy choice the easy choice. As part of our ongoing efforts to implement the Healthy, Hunger-Free Kids Act, USDA remains strongly committed to helping States and local schools as they successfully adapt to new, science-based nutrition standards in the National School Lunch and School Breakfast programs, which serve roughly 32 million American children each school day. Our focus on healthy eating also extends to the American population as a whole, where we continue to promote the Dietary Guidelines and MyPlate. Our budget includes additional funding to support the Department's work to expand the Dietary Guidelines to include the 0–2 population.

The President's budget proposal makes tough choices to meet tight discretionary caps. Our funding request reflects efforts to reduce administrative costs and streamline operations and proposes to strengthen program integrity efforts. Funding for selected programs is reduced or terminated and resources are reallocated to targeted investments in priority programs and infrastructure to support sustainable economic growth. Further, discretionary spending is partially offset through about $1.4 billion of proposed limits on selected mandatory programs and other adjustments.

In addition, the budget proposes to replace $1.5 billion in funding for Public Law 480 title II international food assistance with an equivalent amount in the U.S. Agency for International Development assistance accounts, including International Disaster Assistance (IDA). The proposed reform replaces title II funding with robust levels of flexible emergency food aid and related development funding that gives the United States far greater ability to provide aid when, where, and in the form that it can be most effective. Provided that all the proposed food aid reforms are enacted, at least 55 percent of the requested IDA emergency food aid funding will be used for the purchase and transport of U.S. agricultural commodities.

Major IT investments will increase program efficiency of our Service Center Agencies. The 2014 budget provides funding for FSA, NRCS, and RD to continue the development and operation of improved IT systems that will allow them to devote more time to working with customers and reducing paperwork.

In conclusion, our budget requests the level of funding we need to provide essential Government services, to build on the progress we have made over the last 4 years to build a stronger America, and to support robust farm income and good jobs in rural communities. It provides the resources we need to effectively deliver the service that Americans deserve from USDA. Any further reduction in funding for administering programs would significantly impair our ability to deliver critical services and would imperil our efforts to manage an increasingly complex workload with fewer workers.

Over the course of 2013, I look forward to working with congressional leaders to ensure we have the resources we need to meet the demands placed upon us as well as achieve passage of a food, farm and jobs bill that will allow USDA to continue to provide a strong safety net, combat poverty, and create even more good jobs in rural America.

At this time, I will be glad to answer questions you may have on our budget proposals.

AGRICULTURAL RESEARCH

Senator PRYOR. Thank you, Mr. Secretary. And let me just start with one of the things I know you're very passionate about, and that's agricultural research. I know that it's a priority of yours, and I'd like for you just to talk to the subcommittee for a moment about why you think that's so important and how you've prioritized it.

Secretary VILSACK. I was in Wisconsin 2 days ago at the Dairy Forage Center. We were talking about dairy cows and forage.

In 1950, when I was born, an average dairy cow produced about 5,500 pounds of milk. Today, the average is 22,000 pounds of milk. And I was told that there's at least one cow that produced 72,000 pounds of milk. That is a result directly of agricultural research and the increased productivity.

The challenge for us, both in America and across the globe, is to increase agricultural production over the next 40 years by the same amount that we have increased it over the preceding 10,000 years in order to be able to meet growing populations.

The only way we're going to do that is by embracing science and investing in science. And unfortunately, for far too long, the agricultural research aspect of our science portfolio nationally has not received the attention that it deserves. So this budget does propose an increase in the external competitive funding.

We're seeing amazing collaborations between universities, land-grant universities, historically Black colleges, Hispanic-serving institutions, and Native American tribal colleges, extraordinary opportunity for us to expand our knowledge and coordinate and leverage those resources with the private sector's investment.

I'm confident that, if given the tools, American agriculture will continue to meet the demand. Internally within our ARS system, we have done a very extensive capital improvement review in order to prioritize the research and the facilities. There are, obviously, difficult decisions that will have to be made concerning some of those facilities. But to the extent that we can improve facilities, build new facilities, modernize facilities, we can also enhance internally what we do with research.

I think it's unlimited, Mr. Chairman, in terms of what we can do. When you see forest products, woody biomass, wood waste, being turned into armor that is stronger and lighter than Kevlar; when you see corncobs being converted into plastic bottles for major soft-drink companies; when you see grasses producing materials that one day will be used for the body of our automobiles, which is lighter and stronger than fiberglass, you realize the unlimited potential of American agriculture to re-create an economy.

So I would hope that this subcommittee would give serious consideration to that part of the budget.

INTERNATIONAL FOOD AID

Senator PRYOR. Thank you. Let me talk about another change that the administration is proposing, and that's the Public Law 480 program. I know that Senator Blunt mentioned it in his opening statement, and I'm sure he'll have a question or comment about it in addition to that. But the budget proposes to dismantle the Public Law 480 Food Aid program and move to the funding directly to the U.S. Agency for International Development (USAID).

From a historical perspective, this program was created in 1954. The purpose of the legislation, President Eisenhower said, was to, "lay the basis for a permanent expansion of our exports of agricultural products with lasting benefits to ourselves and peoples of other lands."

I still believe this to be an important goal. I oppose the move that the administration is proposing. And I will tell you this, Mr. Secretary, I'm open to sitting down with you and others, and talking about ways that we can reform it, maybe make it more efficient if there are problems in it. I'm certainly open to talking about that.

But I think that it's very important for soft diplomacy that we continue to keep this program here. And just as one example, here's one of the sacks that is used by the USDA and USAID, and you can see several things about it. One is it has a nice American flag on it. They know this is an American product in this bag.

Also, it says, "from the American people," which is I think important that they know that these are American products from the American people.

But also, the thing that I like about the program is these folks who need this aid the most, they're getting the highest quality, best food in the world, grown in this country at USDA standards. They know what they're getting.

They're getting a gold standard of a product, and I think it's very important that we keep that.

In addition, the fact is that these are American taxpayer dollars, and I think these dollars ought to be spent in America on American products. But again, I'm certainly open to working with you on any changes you might suggest.

I know, officially, the position is that the program should go to the State Department, but I just disagree with that. And if you have any comment on that, I'll be glad to hear your comments on it.

Secretary VILSACK. Well, Mr. Chairman, I would say that when the program was started, American agriculture and its relationship to the rest of the world was a little bit different than it is today. Obviously, we were just recovering from a devastating world war, and much of agriculture globally was impacted by that war. We were faced with serious and significant surpluses that would jeopardize and reduce and depress prices.

American agriculture today is faced with the opportunity not just to meet our own personal needs here in the United States but a robust export opportunity, which we are, obviously, involved in.

I think the key here is there are competing interests. One is the issue of budget. Obviously, what is being proposed by the administration will save $500 million over 10 years.

Second, it's about time. When you're faced with a disaster to the extent that you have to wait 11 to 14 weeks to get the aid that you need, it may be the difference between life and death for some people. So this proposal will cut the amount of time it takes to get disaster assistance to people by 11 to 14 weeks.

And it will also allow us to serve more people.

Still, you're still going to have those bags; you're still going to have that American flag; you're still going to be able to convey that message, because at least 55 percent of what we will, in fact, utilize will be American product.

Obviously, there are competing concerns about this, but when you're looking at 4 million more people, 11 to 14 weeks quicker, and $500 million in savings, I think it's something that is worthy of discussion and debate.

Senator PRYOR. We'll continue to have that discussion. Thank you for that.

I'm going to go to Senator Blunt next and then Senator Johnson.

Senator Blunt.

Senator BLUNT. Thank you, Chairman.

AGRICULTURAL RESEARCH

Just to try to cover as much as we can here, certainly, your emphasis on research is one that I am fully supportive of. I think it's one of the reasons the Department was created, one of the reasons the land-grant college system was created. The 1862 Congress did a lot of things for agriculture that we need to keep improving.

On the research front, you gave statistic that, in the next 40 years, we need—would you give me that statistic again?

Secretary VILSACK. Sure. When you take a look at the need for increasing agricultural production, we need to do what we've done in the preceding 10,000 years, in terms of advancements, in the next 40 years. In other words, we have to take the advancements in agriculture that occurred over the preceding 10,000 years, all of those advancements, we need to essentially do that again, but we have to do it in a 40-year period not a 10,000-year period.

And the reason we have to do that, obviously, is because we have increased global population. We have the same amount or, actually, reduced amount of land available. And you've got varying climates, which is going to make it more difficult, in some cases, to produce what we've been producing in the past, short of coming up with new strategies for adapting and mitigating the climate.

Senator BLUNT. And that would indicate that world food demand in the next 40 years would do what, double?

Secretary VILSACK. Well, at least double. I think some studies I've seen, Senator, suggest it is as much as a 70-percent increase. But it's, obviously, a significant percentage increase.

We can do this, but we can't do it without a robust commitment to research.

FURLOUGH OF FOOD SAFETY INSPECTORS

Senator BLUNT. Well, that shows we have our work cut out for us then, Mr. Secretary. That's for sure.

On management, I do appreciate the fact that you've done some things that have allowed you not to furlough employees. I'm glad that Senator Pryor and I could work together on the one column, one account, that was so specific that you, frankly, couldn't manage around it, and try to help resolve that situation where if the Federal USDA food safety inspector didn't show up, 500,000 people in the country are dependent on the food safety—the work at these facilities are dependent on the food safety inspector being there just so they can work that day. And that's lots of income to families who really are part of a very hardworking part of our population.

So thanks for your comments on that and for seeing that this has gotten done in the right way.

MIDAS

On general management, MIDAS, you want to talk a little about what you're hoping to accomplish there and how that helps with the local offices, the FSA offices.

Secretary VILSACK. Senator, I was in New Orleans last week looking at the National Finance Center, which basically is overviewing and reviewing the implementation of MIDAS. Roughly 7,000 of the 10,000 servers that we need for MIDAS to be fully implemented are online.

We are now putting global information system data into that system. We're putting farm records into that system. We're putting acreage information into that system.

We expect and anticipate by the end of this calendar year, roughly 80 percent of MIDAS will be essentially implemented and in the system. Over the course of the next 2 years, all of it will be implemented.

And the view is that basically, at that point, many farmers in this country will be able to communicate with FSA online. They'll be able to fill out the application. They'll be able to track the status of their account online, so that they won't have to be any more inconvenienced in terms of coming to an office and spending time at an office. They could do this at their leisure and convenience.

This has been a long haul. This Congress and previous Congresses made commitments to MIDAS. We appreciate that. I think we're finally going to see the results of MIDAS.

Senator BLUNT. And my understanding is, whenever you became Secretary, the offices couldn't even communicate, in most cases, with each other let alone communicate with their customers.

Secretary VILSACK. Senator, when I became Secretary, I asked if I could send an e-mail to all of our employees. I was told I couldn't do that. I couldn't send a single e-mail to all our employees. I had to send 11 different e-mails, because we had 11 different e-mail systems.

We now have one system. We've also saved millions of dollars by having that one system. It's one of the advantages and one of the steps that our team is taking to save $828 million through our administrative services project, our Blueprint for Stronger Service.

And it's the way in which we've been able to manage and avoid some of the more significant reductions in workforce that sequester may cause in other Departments.

RURAL HOUSING

Senator BLUNT. On rural housing, there's a $40 million reduction in this proposed budget on rural housing. That's, certainly, not because you haven't been able to use the money you've had.

Secretary VILSACK. No, that's true. I think what we're seeing is a conversion. We're the only agency that provides direct loans, and I think you're seeing a conversion from direct loans and guaranteed loans primarily to more guaranteed loan activity.

As I said earlier, we're still going to be able to do 174,000 loans, but this is a situation where we're faced with, and you all are faced with, a defined and finite amount of money. You've got to make choices, and we're moving to a guaranteed program as opposed to putting a lot of resources in the direct program.

SCHOOL LUNCH STANDARDS

Senator BLUNT. The only other question I've got for this round is on school meal regulations. I think schools tell me they had a hard time complying with the regulations on protein and grain. And I think those had been waived for some time now. Are you considering permanently, looking at some more permanent solution than waiving the regulation?

Secretary VILSACK. As you say, we've created flexibility. And I would anticipate and expect that flexibility or something akin to that will be a permanent feature of that program.

Senator BLUNT. And that decision will be made?

Secretary VILSACK. Yes, I think it either has been made this year or is about to be made.

Senator BLUNT. All right.

Thank you, Chairman.

Senator PRYOR. Thank you, Senator Blunt.

Next, we'll have Senator Johnson, then Senator Cochran.

Senator Johnson.

COUNTRY OF ORIGIN LABELING PROGRAM

Senator JOHNSON. Mr. Secretary, thank you for being here. And let me first thank you for your efforts with revising our Country of Origin Labeling (COOL) program to better meet our WTO commitments. I hope that you will maintain a strong and accurate labeling regime as you move forward with the rulemaking process.

BIOENERGY RESEARCH AND EDUCATION

There are also a couple of other issues I would like to discuss with you.

I commend the regional approach that USDA has adopted for supporting bioenergy research and education. In fact, this approach was championed early on by land-grant universities through the grant initiative, which has been a collaborative effort through several Federal agencies and the national laboratories.

I'm disappointed that the administration is once again proposing to cut funding for this important initiative. Can you tell me if you and the Department are supportive of the initiative's use of regionally based competitive grants?

Additionally, given the administration emphasis on the importance of the development of renewable energy, why does the administration propose zero funding for this nationally authorized program?

Secretary VILSACK. Senator, let me briefly comment on both of those issues that you've raised. By May 23, we will actually finalize the COOL regulation, which we think will respond to the concerns raised by the WTO case. And we've already given folks an indication of what that's going to look like. But we will finalize that by the May 23 deadline.

As it relates to bioenergy, we are definitely committed to a regional approach. In fact, we have established five regional hubs throughout the United States. And we're using our AFRI resources to help fund those regional locations. And we've substantially increased our commitment in this area.

These regional hubs are taking a look at feedstock development. They're taking a look at the supply chain alternatives to food feedstocks, alternative nonfood feedstocks, the supply chain and additional research in terms of the efficiency of certain production processes.

So that is underway. And as a result, it would have been duplicative to have been involved in the Sun Grant system. We sort of expanded that, if you will, to all parts of the country. We want this initiative to have access and connection to all parts of the country, to use feedstocks that are most readily available in all parts of the country.

So for example, just as an example, we've invested $80 million in the University of Washington and the Washington State University to look at aviation fuel, the drop in aviation fuel. We've invested the resources in a hub that involves Penn State, for example, in the supply chain issue.

So this is incorporating what the Sun Grant was doing, and it basically expands on it.

RURAL POPULATION DEFINITION

Senator JOHNSON. USDA has proposed a new definition of rural that would set the population cap for a number of Rural Development (RD) programs at 50,000 people. The water and wastewater programs have historically been limited to communities of less than 10,000 people. The options for these communities are extremely limited, and that's precisely where the RD program should be targeted.

I would also note that the administration budget request would cut this program from $560 million in fiscal year 2013 to just $304 million in your fiscal year 2014 request.

Do we have an estimate of how the demand in water programs would grow if the population threshold is raised to 50,000 people? Additionally, how do you square proposing a 40 percent cut to the program while at the same time dramatically increasing the number of eligible applicants?

Secretary VILSACK. Senator, the issue of the rural definition is the fact that we're dealing with 11 different definitions in statute today. And it's quite confusing.

You've got a situation now where I believe 500 communities no longer qualify because we now are using the 2010 census data, because of the increase in populations in some communities for water. And I think 900 communities will lose housing assistance as a result of that definition because of the census information.

My view of this is that we need a consistent definition. And I think it's also important—and I hope the subcommittee thinks about this. It is important, I think, for this country to have a different definition and understanding of what constitutes rural. Because at this point in time, based on the traditional definitions, we have fewer people living in rural America as a percentage of our population in the history of our country.

And the concern I have is if that population and that percentage continues to shrink, it will become increasingly more difficult to have the resources for any of these programs we're going to talk about today. So I think it is important to have a uniform definition.

The fact that you have a uniform definition doesn't mean that you cannot continue to focus the need where the need is greatest. You can create point systems and scoring systems that basically assure those communities that are most in need will get the time and the attention and assistance.

In fact, we have a thing called StrikeForce, which we just instituted in South Dakota, and we now have it in 15 States. It's really focused on the 90 percent of our persistently poor counties that happened to be in rural America. And this StrikeForce Initiative is really designed to really hone down and to try to provide greater assistance to those counties. So I think there are mechanisms to deal with this.

As it relates to the amount of money in the system, this is only in the grant portion of the system. And the reason for that is the interest rates on our loan program are so low that our view is that we're in a position now with the $1.5 billion of loan money to be able to begin the process of meeting the need that's out there.

The last comment that I would make is, in this new age that we live in of constrained resources, it is challenging us to be creative and innovative at USDA to find other investors who might also be interested in these water projects. It doesn't necessarily always have to be our money that basically builds these facilities.

What we're finding in talking to investment bankers and to other folks who we've communicated to, there's a lack of understanding and appreciation about the deals that are out there in rural America. We just haven't marketed these deals very well.

Just very quickly, one major corporation has, as its social responsibility and business initiative, to reclaim water. They use water in a product that they make. They want to reclaim every ounce of water that they use. They're interested in potentially investing in these kinds of water projects. The investment return may not be as much as they would get someplace else, but it fulfills a business responsibility.

We need to be more aggressive in educating people about where these projects are. It doesn't always necessarily have to be Government money.

Senator JOHNSON. Thank you.

Senator PRYOR. Thank you, Senator Johnson.

Next, we have Senator Cochran and then the list says we go to Senator Tester.

Do we have to do Senator Tester next?

Senator Cochran, thank you.

CATFISH INSPECTION

Senator COCHRAN. Mr. Secretary, thank you very much for your cooperation with our subcommittee.

One of the things that we did in a previous farm bill was to provide authority for the Department to inspect imported fish that was coming into the country, particularly from southeast Asia. The concern was that some marketing firms and stores were advertising as farm-raised catfish, and a lot of our aquaculture producers in my State and elsewhere around the country feel that this law has not been aggressively implemented.

What is your plan, if you have a plan, to try to put action behind the words that are contained in our farm bill?

Secretary VILSACK. Senator, I certainly understand the frustration of your farmers who have raised this issue with you. And I think, frankly, we continue to grapple with precisely what the definition of catfish is.

I assumed I knew what that definition was when I took this job. I now find out there are 39 different varieties. And we're still trying to work our way through that definition, and it's not as simple as it would at first blush appear.

We're obviously working on this. In the meantime, obviously, fish are being inspected by FDA, but I'm going to commit to you that we're going to continue to work on this. And we understand the frustration. But it is complex, from a scientific standpoint. And it, obviously, has significant implications domestically and from a trade perspective.

SCHOOL KITCHEN EQUIPMENT

Senator COCHRAN. One initiative that the administration has pursued to help reduce the cost of school lunch programs is to modernize the kitchen and cafeteria equipment. And there's been a Federal grant that our Governor has used to replace deep fat fryers with some combination oven steamers and other ways of getting to the children more nutritious and better prepared school lunch meals.

Is your administration aware of this initiative? And could it be replicated so that it becomes a nationwide program to try to improve the quality and nutritional value of the foods that our children are having at school?

Secretary VILSACK. Senator, absolutely. This budget that we're proposing suggests a $35 million commitment to upgrading school equipment for that very purpose.

We had a $35 million appropriation this year, but it was reduced during the sequester discussions. And it's now down to $10 million. But we are absolutely committed to this.

Frankly, what we're seeing is that food producers are reformulating their food. Again, I was at a food company the other day. It makes extraordinarily tasty food that is in a pouch that you just put in boiling water. And it's fresh, and it's spectacular.

So we want to, obviously, encourage more of that. And we want to get away from just centralizing production and then having it bused or shipped from a central kitchen to a variety of schools. We'd like to be able to give those schools the capacity to prepare food on site.

This would also I think help us extend our summer feeding program. We feed about 2.5 to 3 million kids in our summer feeding programs across the country. But we feed 21 million free and reduced lunch kids during the school year, so there's issue there during the summer months. And we're trying to figure out strategies to provide those youngsters nutritious meals during the summer as well.

Senator COCHRAN. Thank you for your leadership on that.

Senator PRYOR. Thank you.

Senator Tester.

AMERICAN AGRICULTURE

Senator TESTER. Thank you, Mr. Chairman.

And I want to thank the Secretary for being here today. With some of the questions you have already answered, I appreciate the work that you've done on COOL, and I would tell you that I am personally excited about the online capabilities, potential online capabilities. I've been able to connect with the FSA office, and I would hope, even though I love every one of the staff that happens to be in Chouteau County, I would hope that it wouldn't create a workforce increase but actually more efficient once it gets implemented. So thank you for that.

You know it was about 40 years ago, when you and I were much younger, much better looking, there was a Secretary of Agriculture that made the statement, get big or get out. I have listened to your testimony this morning, and I don't think you have that same vision for agriculture.

You've talked about opportunities for young people. You've talked about how we've become fewer as a percentage of the general population. And if that continues to shrink, that's a bad thing.

My question is, is this budget put forward—and by the way, I've got to tell you I've vacillated on this. The farm bill has done some good things and it's done some things that I've questioned over the years. And I have vacillated back and forth whether it's been a net positive or a net negative, depending on whether we're in drought or not.

But the question really becomes, this budget that you put forward, has it done anything different than previous budgets as far as enhancing opportunity for young people to get into agriculture in one fashion or another, whether it's production agriculture or adding value or whatever?

Secretary VILSACK. I think it does, Senator. I think it does in a variety of different ways.

First of all, it increases the commitment to the Beginning Farmer and Rancher Development Programs. Second, I think it understands the necessity of us expanding market opportunities. Production agriculture is an extraordinary story, and the export is an extraordinary opportunity. But we need to branch beyond that if smaller producers are going to have a shot. That's why we commit ourselves to an expansion of local and regional food systems, why we increase farm-to-school programs. It's why we have our specialty crop block grant to create opportunities for smaller producers to get in business. It's why we continue to expand access to farmers markets through the SNAP program and through the WIC program. That's an additional market opportunity for smaller producers.

It also makes a significant commitment to bioenergy and the bio-based economy. The reality is there are 3,100 companies today that are manufacturing something that's bio-based. We need to extend that. We need to expand it. If we do, we create market opportunities for plant material, crop material, livestock waste. That creates additional markets.

So this budget does indeed support all of that.

Senator TESTER. Well, I just want to say I appreciate that perspective. And I hope every day when you come to work, you keep that perspective in mind as we go forth, because with rural America drying up, I don't think it's a net positive for this country.

And I always use the example, when I graduated my school in 1974, I'm getting old, had 165 kids. That same high school today has less than 60. And that's not something that's particular to north central Montana. I think you could say the same thing for many of the schools in Iowa, certainly can for all the schools in Montana that are small.

Secretary VILSACK. I think that the key here is for us to understand that it's not about tax-supported institutions that we need to keep in those communities. It's about taxpaying institutions.

Senator TESTER. That's correct.

Secretary VILSACK. Because if we have those, then we're going to have the tax-supported institutions.

And that's why this four-cornerstone philosophy that I have of rebuilding the rural economy is important: production agriculture and exports, local and regional food systems, conservation and outdoor recreation, and the bio-based economy. Those are the lynchpins, I think, to rebuilding a rural economy that will support communities.

TIMBER SALES

Senator TESTER. I want to go a little bit off this subcommittee but I know the chairman will let me do this—a different subcommittee, but your agency, and that's the Forest Service.

In this budget, it effectively cuts about 15 percent out of timber sales targets, which is true. And you've been in Montana, and I appreciate you coming there. And I think at this point in time, we're seeing a forest that is in crisis. And there are trees that need to be cut, need to be cut right, sustainably and all that. And we can do that. That's not a problem.

I think we need to increase timber harvest to meet the hazardous fuels out there, not reduce them. I know you're in a tough fiscal climate, but are there ways to boost timber supply in a way that keeps our infrastructure going, and we manage our forest in a proper way as we move into this 21st century when you see the beetle kill and climate change and all that stuff going on?

Secretary VILSACK. Senator, I want to make sure, the 15 percent number that you're referring to is actually in this existing budget as a result of the sequester, and as a result of the additional 2.5 percent cut that you all put on top of the sequester for this agency. So we had to——

Senator TESTER. We'll take the rap.

Secretary VILSACK. Okay.

Senator TESTER. We should take the rap. The question is, how do we fix that? Do you have any——

Secretary VILSACK. The reason I say that is because we were on track to actually increase timber sales. We have announced a desire to go from 2.4 billion board feet being treated to 3 billion board feet being treated. We were on track to get there, to treat more. But now we take a step back. But we're going to continue to take a step forward.

In response to your question, the Forest Service is investing in wood energy opportunities. The Forest Service has its wood products lab in Wisconsin that's creating new opportunities.

I think there's an extraordinary chance here for us to deal with this. And let me tell you precisely what we're doing, and this is very, very important. We're trying to link up universities that talk about clean energy with the opportunity to have cogeneration facilities that are wood burning. You combine that with long-term stewardship contracting. You essentially have a ready supply of wood. The university gets a cheaper cost of heat and electricity as a result.

And we're trying to create those kinds of partnerships at USDA through the Forest Service.

We also are working with utility companies to recognize that they have a vested interest in helping us clear out those forests, because they have a multimillion dollar investment. Transmission lines are at risk. They have a multibillion-dollar potential liability if fire is a result of one of those transmission lines.

And we're working with corporate America that has a variety of interests in maintaining more resilient forests.

So we are involved in all of that. The fact that we have less money in a particular line item doesn't mean that we're not going to get more work done.

Senator TESTER. I appreciate that. We'll work to give you the tools so you can do your job.

Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Senator PRYOR. Thank you, Senator Tester.

Next, we have Senators Merkley, Udall, and Moran.

Senator Merkley.

GENETICALLY MODIFIED ORGANISMS

Senator MERKLEY. Thank you very much, Mr. Chair.

And thank you, Mr. Secretary. And I wanted to mention I appreciated so much your help when the Klamath Basin enduring a terrible drought several years ago, 2010. And both you and Secretary Salazar were quick to be of assistance.

The bad news that I have to report today is that they have yet a worse drought, the worst ever to this point in time in this season. And so I may be carrying on the conversation with you and your team again.

I wanted to specifically ask about the Monsanto Protection Act, the rider that was included, the authority to overwrite a judicial ruling regarding the planting of genetically modified organisms (GMOs). In my town halls, people have come to every single town hall saying we do specialty crops here in Oregon, specialty seeds, we're worried about cross-contamination—for example, from GMO canola to broccoli or rutabaga seed.

And the concept behind this rider, is that something the Department of Agriculture endorses?

Secretary VILSACK. We didn't ask for the rider. And we have questions and concerns about the legality of it, as it relates to temporary injunctions and things of that nature.

But let me answer your questions more fully. The USDA position on this is we believe strongly in coexistence. And we have created a program we call AC21 where we put organic producers and GM producers in a room, and we basically said, what will it take for you all to get along better than you do today?

They came out with a series of recommendations. Those recommendations range from making sure that we continue to have a solid germplasm bank to ensure that we always have the capacity to restore something that could potentially have been impacted, a potential compensation arrangement or process for those that do suffer from cross-contamination, more research on precisely gene flow. This is all going on at the present time within USDA in an effort to try to create a world in which, if you want to be an organic producer, you can do so; if you want GM opportunities, you should do so; and an understanding that good stewardship can make good neighbors.

So we're looking at ways in which we can promote coexistence.

Senator MERKLEY. I think that's exactly the right approach. And there are complicated issues that are raised, that get struggled with—how far does pollen travel, what is the risk of cross-contamination, and so on and so forth. But I think the concept behind this rider, which basically said, it can be planted regardless of concerns in the normal process, interrupts that strategy of cooperation and working out the coexistence.

And I look forward to continuing this conversation. This rider is going to expire later this year. There's going to be a conversation about whether it goes forward further. And it's just huge concern by our Oregon seed producers of the impact on their markets and organic growers.

ELECTRIC LOAN PROGRAM

I wanted to turn to the Rural Utilities Service (RUS) Electric Loan Program. This program, as I understand it, the Department is planning to create a version through regulation that does low-cost loans for energy saving renovations. This is very consistent with what the U.S. Senate endorsed by passing the Rural Energy Savings Program in the farm bill that went through the Senate. And so, I applaud that, encourage that.

I did want to express a concern about the overall, the larger, Electric Loan Program, which helps fund transmission lines, capital infrastructure, and so forth. There's concern on some of my electrical co-ops that with the reduction in the size of the program, I believe it's going from $7 billion to $4 billion for direct loans, that three-fourths of the lower number, of the $4 billion, are set aside for renewables. Of course, I'm a big supporter of renewables.

But I want to make sure, on behalf of electric co-ops, that there's still the ability to invest in the transmission lines as well. Is this an issue that has been brought to your attention? And any concerns about the support for our rural electric co-ops being able to build their infrastructure?

Secretary VILSACK. It has been brought to my attention and, honestly, Senator, we honestly believe that there's a good balance here. And we'll try to strike that balance.

The reality is, if we're concerned about the impact of varying climates on production, and we're convinced that that is related to greenhouse gas emissions, and I think there's pretty good science to suggest that it is, part of the strategy and challenge will be for us to reduce those emissions. And one way to do that is by making sure that we invest in renewable energy resources.

It also creates enormous new opportunities, particularly in agriculture and in forestry for bioenergy opportunities. So for that reason, we're focused on trying to encourage folks to think differently and to think creatively about the opportunities in renewable energy.

Senator MERKLEY. And I completely salute that. But as electrical co-ops invest in transmission lines, if the loan program runs out of funds, if you will, to help support that, is there a way to come back and try to expand the size of that program to help support the transmission capabilities?

Secretary VILSACK. I mean, obviously, there are ways for the—you all can make decisions about that. But I would say that it goes back to the point that I made earlier which is, in this constrained resource environment, it's challenging us to think differently and to think creatively about partnerships and others who might be interested and able to invest in these projects that we've never thought of before.

And I think that there's a lot of opportunity out there. In talking to folks, investment bankers in particular, they had no idea about these program. They had no idea about the opportunities in utilities, for example. And they're interested, and so we're going to try to, literally, to the extent we've got a waiting list or to the extent we have a need that we're not able to meet, we're going to try to shop and facilitate that need being met by a private sector or nonprofit sector partner.

FEDERAL RESEARCH GRANT PROGRAMS

Senator MERKLEY. Thank you. And in my final minute, I wanted to mention how important the Federal grants have been for the Northwest Center for Small Fruits Research. They are one of those regional research centers that really focus on the particular challenges in the Northwest.

And they are finding that the current format of the Federal research grant programs, such as the format of the Agriculture and Food Research Initiative and Specialty Crop Research Initiative, seemed to have been adjusted in ways that only allow access by very large-scale research institutes that don't necessarily have that regional focus.

And so, that's a real concern on their part. And I wanted to raise it, put it on your radar as a concern for our smaller, regionally focused research centers.

Secretary VILSACK. Senator, I appreciate you bringing that to our attention. That's surprising, because what we're actually trying to do with this program is to create more opportunities for collaboration in which smaller facilities are able to align themselves with other universities to do cooperative and collaborative research.

We'll be happy to take a look at that particular issue as it relates to your area and take that concern back to the office.

Senator MERKLEY. Thank you very much. I look forward to following up on it with you. Thank you.

Senator PRYOR. Thank you.

Senator Udall, then Senator Moran.

Senator UDALL. Thank you, Mr. Chairman.

FARM SERVICE AGENCY PAYMENTS

And, Secretary Vilsack, let me just thank you for being so on top of the forest fire situation. You visited my State of New Mexico when we were right in the middle of the Little Bear fire right down near Ruidoso. That was a fire that destroyed 254 structures in the summer 2012, 245,000 acres.

And I think you saw the remarkable thing was how dedicated your people are all the way from the incident commanders down to the people that are fighting fires. And we're facing another, because of the drought, a very severe fire season.

As your map shows here, New Mexico is right at the center of the target in terms of the drought. And so we know that you're going to stay on top of that and make sure that the personnel and that the airtankers and all of that are in place.

I wanted to ask about the FSA payments. And I wanted to thank you for getting the Farm Service Agency payments back online this week. The last several years have been very difficult for producers in New Mexico. So the payments have been vital to keeping producers afloat.

The freeze in payments this spring has been hard on many people in New Mexico, especially the freeze on the Noninsured Crop Disaster Assistance Program (NAP) payments. This is another example of the terrible toll that sequestration is taking on our country.

Because of the time it took to get these payments back online, I know many of my constituents are not confident that the payment is actually coming. Will you confirm for me and my constituents that the FSA payments are indeed back online, particularly the NAP payments?

In short, Mr. Secretary, is the check in the mail?

Secretary VILSACK. Effective today, it's online, Senator. And the reason, frankly, that it was because we were uncertain about the impacts and consequences of sequester, and didn't want to create more of a situation where payments went out the door only to have folks having to refund or return them.

And so, beginning today, we're back online and payments will be made in short order.

LIVESTOCK DISASTER PROGRAM

Senator UDALL. Thank you very much.

Over the last 3 years of drought in New Mexico, there's been a 50 to 60 percent decline in the cattle population in my State. The impact of this ongoing drought, it obviously has been very terrible in New Mexico.

And as you know, several Senators have been working for months to try to get livestock disaster programs that expired in 2011 renewed and retroactive. And I'm pleased to see that the President's fiscal year 2014 budget includes a proposal for renewal of the livestock forage program and the livestock indemnity program for 2014 through 2018.

We expect the farm bill to come to the floor for a vote in the coming weeks. If we are able to renew these programs with retroactive authority, would the USDA be able to carry out back payments? What would this mean for producers in New Mexico and other States who've had several years of drought and loss? And what do you expect the need is nationwide for these programs?

Secretary VILSACK. Well, I think the need is reflected in the budget request, Senator. This is something that I think needs to be done.

It's unfortunate the disaster assistance was not fully funded in the previous farm bill, and that it was allowed to extinguish. We're very supportive of continuing this.

What it means to producers is, obviously, resources, and what it means is reassuring that banker that there's a safety net in place that will make it a little bit easier for that producer to get the credit that he or she needs to be able to continue or expand their operation.

WATER AND WASTE PROGRAM

Senator UDALL. Thank you. Mr. Secretary, coming from a State where water infrastructure is a priority need in almost every community, it's unsettling to see the proposed cuts in the President's fiscal year 2014 budget. And I'm especially concerned about the cuts of almost 50 percent to grants and loans for water and wastewater infrastructure for tribal communities and colonias. Even the basic need for running water is not being filled in many of these communities in New Mexico.

I'm also concerned about the cuts to the Circuit Rider Program for rural water systems and the wastewater and waste disposal loans and grants in the RUS.

Could you explain the logic behind these seemingly disproportionately high cuts to water infrastructure? What kind of impact do you expect these cuts would have on rural communities, including tribes and colonias? And has there been any decline in the need for this kind of water infrastructure funding?

Secretary VILSACK. Senator, you all will be faced with the same set of decisions that we made and had to make in terms of the budget. You're given a number, and you've got to fit all of the competing needs and interests within that number.

In a perfect world, we'd have more money to spend. We're not living in a perfect world. We're living in a very imperfect world. So obviously, choices have to be made.

Our view is that the loan interest rate on the loan portion of the water program does provide us the capacity and, for many communities, the opportunity to improve their water systems.

The need is significant. There's no question about that. That's why we have to look at ways in which we can extend and leverage our resources effectively. I've said earlier about our efforts to reach out to other investors who may potentially be able to provide opportunities to these communities.

You mentioned the colonias, in particular. I will tell you that our StrikeForce Initiative is focused directly on that area and has also been extended to New Mexico. So many of the most impoverished areas are getting more attention and more assistance than ever before.

We're just dealing with a very difficult budget. Do you take money from housing to put in water? Do you take money from farm programs to put in water? Do you take money from nutrition to put in water? Do you take money from Rural Development and business growth? It's hard.

And so my view of this is, you're not going to be able to meet all the needs to the extent that they need to be met, so we've got to think creatively. And one way we're going to think creatively is going to nonprofit foundations and saying, you invest a lot of grant money in communities, what about your investment portfolio? Where are you putting your business investments to generate the income that you grant? Can you consider putting it in rural America? Investment banks, are you aware of these utility opportunities in rural areas? Corporations, are you aware of the opportunity for you to meet a social responsibility requirement by investing in rural areas?

I think we have to think broadly about where resources can come from. You're going to face the same difficult decisions we've faced, and we'll see how you all do.

Senator UDALL. Thank you very much. And I know you come from a rural State and you feel these issues a lot, and I know you're working hard on them. Thank you very much.

Thank you, Mr. Chairman.

Senator PRYOR. Thank you, Senator Udall.

Senator Moran.

RISK MANAGEMENT

Senator MORAN. Mr. Chairman, thank you.

Mr. Secretary, thank you for being here. The last time we had this hearing, nearly 1 year ago, you were leaving for Manhattan, Kansas, to speak at the Landon Lecture at Kansas State University. I was not there, but thank you for speaking. And the reports were that you were well-received, and I hoped that you experienced Kansas hospitality in your visit to our State.

I want to express my appreciation to you in your work on the Pryor-Blunt amendment in regard to meat inspection, something critically important to our country, to its consumers, but, certainly, important to Kansas and livestock producers and the meatpacking industry that is so prevalent in our State.

And I know a number of questions and comments have been made in regard to agricultural research. I would like to emphasize to you its value and its importance, its long-term benefits to agriculture and to rural communities. And especially, I believe I said this last year, to make certain that, sometimes the research that gets a lot of attention is a bit more exotic, but to remind you or to request you to always keep in mind the importance of agricultural research related to productivity and yields in crops that we currently grow, the value of making certain that we know how to curtail the damage that occurs with insect and disease, drought.

We've had a lot of conversation and just the recent few questions about the circumstances we find ourselves in because of weather. And there is a Pryor-Moran caucus in regard to water. Senator Udall and I have been involved, since our days in the House, in regard to the Ogallala Aquifer.

Water is, in so many ways, front and center to the future of rural America, and I would encourage you to, both on the agricultural research side, but on the water resources aspect of the Department of Agriculture, continue to provide the necessary infrastructure and support.

In regard to that drought, it's dramatic and the consequences are tremendous. It's long-running in Kansas. And, in particular, I mean, I'd be glad to hear any thoughts you have about efforts at RMA to improve the crop insurance product for the cultivation side of agriculture.

But we are, certainly, failing our livestock producers. And, certainly, I know that the issue of ad hoc disaster is something that we can pursue. But I've always believed, going back to my days in the House and chairing the Subcommittee on Risk Management, that a better product within the crop insurance delivery system for all crops, but also on the livestock sector, is something that needs to be actively pursued. And I'd be glad to hear your thoughts and your assurances that that's the case at USDA today.

Secretary VILSACK. Senator, we are, obviously, in the business of continuing to expand crop insurance offerings in a variety of areas of agriculture. And we're trying to do it in a way that is thoughtful and consistent with good fiscal decisionmaking.

In the meantime, we are obviously faced with a specific challenge today from our livestock industry and from our dairy producers. And so that's why we are proposing and suggesting a continuation of the Disaster Assistance Programs that were established in 2008 farm bill. And our hope is that that gets done either in the context of this budget and or a 5-year farm program.

We are proud of the fact that we have expanded the number of crop insurance offerings. And we're going to continue to look for creative ways to address all of the challenges that our producers face.

Senator MORAN. Crop insurance is particularly important to farmers on the high plains. Agriculture is clearly the significant component of our economy, but the weather is often not our friend.

And I've visited with many producers across the country where crop insurance is less of a viable option for them. And it seems to me that the goal of making certain the crop insurance is an important tool available for farmers geographically and commodity-wise is important. It is one of the things that makes it more difficult to garner the support across the wide array of agricultural interests here in Congress. It's that crop insurance product is not as useful in some places in the country and for some crops.

And while you would expect me to advocate on behalf of a crop insurance program that works for Kansans, I also recognize its value in bringing all of agriculture together to support a program that benefits the entire agricultural economy across our Nation. And I look forward to having conversations with the administrator of RMA as we have had over the years.

Let me switch topics, and let me also say that I hope to be helpful to you and be helpful in the cause of the livestock disaster programs inside the farm bill, outside the farm bill, if necessary. I'm hopeful that we are able to accomplish what we didn't accomplish last year with the passage of a long-term 5-year farm bill, and I hope we do it sooner rather than later.

And I can't imagine there's any disagreement from the Secretary.

Secretary VILSACK. Amen, Senator.

BROADBAND PROGRAM

Senator MORAN. Thank you.

Let me change topics. In October 2011, the Federal Communications Commission (FCC) entered its order in regard to reforming the Universal Service Fund. I'm not here necessarily to debate the merits of their order. But there are tremendous consequences to that order in your world, at Rural Utilities Services.

And you filed an ex parte with the FCC. And one of the things that caught my attention in reviewing that is the demand for RUS loan funds dropped to 37 percent of the total amount of loan funds appropriated by Congress in fiscal year 2012.

What I think is happening, and I've been very concerned about this FCC order and its consequences upon the expansion of broadband available to areas that don't have broadband or options in regard to broadband, but also very important is the retroactivity of this order and its consequences upon companies, particularly small telephone companies, that deployed broadband but their revenue stream to finance the deployment and, in many instances, its ability to repay the Rural Utilities Services money that was loaned to them to accomplish this purpose is now greatly diminished.

And I'm interested in that 37 percent number, but I would assume that—and I know this in part from conversations I had with those phone companies, is that, one, they're making the decision about we don't know how to pay for what we've already deployed, and how to repay loans that are already existing; and two, is this order going to be changed in a way that we can continue to deploy broadband in places that we don't have broadband in the future.

So if you would capsulize for me or explain to me where you are in your—you've had conversations now with the FCC, with Chairman Genachowski. Have we got anything in the works, and again, I think I asked about this topic last year, has anything developed? Is anything developing that can give me some comfort that this effort that was started by the administration a number of years ago to deploy broadband is—that the harm that has come from the FCC order is being overcome?

And second, where are you in the ability to see that your loans are going to be repaid to the Rural Utilities Services?

Secretary VILSACK. I've, actually, kept my eye on the portfolio issue. Let me address that, first and foremost.

And the good news is that we have not seen, at this point, a significant level of concern in terms of the ability to meet prior obligations, which is good.

And in those cases where there has been an issue, we have been working with the FCC to create some kind of waiver that will allow the draconian impact on a particular company to be less draconian.

So we have been engaged in those conversations, and the FCC has been willing, up to this point, to be granting waivers in those circumstances.

We have had a conversation with the chairman, and obviously, he's no longer there. But we did express a concern for the need to amend the Connect program that they have, to create a bit more flexibility for rate of return folks to be able to participate in that.

They put $300 million out. It wasn't fully utilized, and we think there's an opportunity there to potentially assist us in expanding.

And we have engaged in a more meaningful conversation, as a result of my discussion with the chairman, about how we might be able to better focus our resources in areas that the FCC and the regional bells are probably not going to have much interest in.

We're going to continue to invest in this. We're going to continue to figure out ways to expand it, because we realize, as you do, how critical this infrastructure is to the survival of businesses and communities in rural areas.

And our hope is the FCC takes a bit more of a flexible position than they originally took.

Senator MORAN. I hope to be able to pursue this further at some point in time with you, Mr. Secretary. Thank you for answer.

Your response to Senator Tester about needing to make certain we have people who are paying taxes, this is one of those issues that create the opportunities for us to create business and opportunities in which we have taxpayers supporting the services that are necessary in rural communities. In the absence of this, the absence of the small rural telephone companies' ability to provide these services, your goal and my goal of seeing a more prosperous rural America is significantly diminished.

Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Secretary VILSACK. Senator, I would also say that we have also had conversations with the folks at AT&T and Verizon in terms of encouraging them to be more aggressive in their efforts in this area as well. And they've given me some assurance that they are focused on this and are going to try to take advantage of these programs to expand broadband.

So we have, in a sense, lobbied, if you will, that opportunity as well.

Senator MORAN. Great to hear. Thank you.

RURAL BUSINESS PROGRAM CONSOLIDATION

Senator PRYOR. Thank you, Senator Moran.

We have one Senator on the way who wants to ask questions. What we'll do is a very brief second round. Let's let all of us who want to ask questions, just ask one or two more.

Actually, I have several questions for the record that are followups from some of the questions that Senators asked. But as we're waiting on our colleague to arrive, let me go ahead and ask you, Mr. Secretary, about something I like in concept, which is the consolidation of grant programs.

I think you're taking five grant programs and consolidating them into one. I love that concept, and I think we would all like to know more detail, why you're doing this and how much you think you can save and how that efficiency is going to help.

Secretary VILSACK. We're taking five smaller Rural Development programs and combining it into one because we think by doing so we can create a greater accountability and establish a solid standard relating to jobs created and economic opportunity created by doing this.

When you have five smaller programs, obviously, you get five different administrative responsibilities. And oftentimes, it becomes difficult to keep track of every loan.

But this one program will allow us to set standards then hold grantees accountable to those standards. And we think, in the long run, it will encourage more regional thinking, and encourage and expand economic opportunity, and give us more flexibility.

Senator PRYOR. Great.

Senator Hoeven, if you're ready, I'll go ahead and call on you and let you do your first round of questions. And we'll finish up with our second round.

CROP INSURANCE PROGRAM

Senator HOEVEN. Thank you, Mr. Chairman. I appreciate it very much.

Mr. Secretary, good to see you again. The first question I have is crop insurance in the budget. You show a $12 million reduction in—excuse me, $12 billion reduction in crop insurance. And what my farmers are telling me, not just from North Dakota but from around the country, is that crop insurance is their absolute number one priority as we go into writing the new farm bill, which we hope to be in markup in our Agriculture Committee next week for the Senate.

So crop insurance, number one priority for farmers. How come the $12 billion reduction in your budget submission?

Secretary VILSACK. Well, we're, obviously, trying to deal within a constrained resource environment, and there are a couple of things that we are suggesting. We took a look at crop insurance and tried to determine what kind of rate of return insurance companies would need in order for this program to remain viable and fiscally sound. What we found was a 12-percent return on investment was sufficient and adequate.

Currently, producers and companies are receiving somewhere in the neighborhood 14 to 15 percent return on investment over the long haul. So we thought there could be a slight adjustment there.

There are circumstances when the Government is subsidizing more than 50 percent of the premium, in some cases, more than 60 percent of the premium. And we felt that there could be some slight adjustment in terms of that relationship between the taxpayer, the farmer, and the company.

And we felt that there were some adjustments that could be made for products that are focused on price protection.

So that's where the resource comes from. We don't think it jeopardizes the availability of the product or the need for the product. We think it's just a rebalancing of the relationship between the taxpayer, the farmer, and the company.

Senator HOEVEN. I'd point out that in the baseline, $64 billion in direct payments is going away. So we'll be taking the direct payments out of the farm bill. The farm bill will be saving somewhere between $23 billion and $35 billion based on Senate versions and House versions that made it through the respective Agriculture committees last year.

That's more than sequestration would call for. And so agriculture is stepping up and providing budgetary savings. It's going to be very important that crop insurance is there for them in a solid way going forward when we're making these other reductions.

My next question is, I had Brandon Willis out in our State, and I appreciate very much him coming out.

The issue we worked on is right now under prevented plant. You have to plant and harvest a crop 1 out of 4 years in order to be eligible for prevented plant under crop insurance. But there are other rules that make prevented plant very, very confusing.

He's agreed to help us work through that, which we appreciate very much. We'd ask your thoughts and hopefully your commitment to help in that regard as well.

Secretary VILSACK. Senator, we have a lot of confidence in Brandon to administer the RMA program in a way that reduces inconvenience or inefficiencies in the program. One of the reasons that I put Brandon in that position was because he understands the crop insurance program very well and is committed to making it work.

And you have my commitment to assist him in any way I can to create a more efficient and more effective program. It goes back to Senator Moran's question and concern about the need for us to have an RMA Administrator that understands and appreciates the need to constantly look at ways to improve the product or to expand the product.

SCHOOL LUNCH STANDARDS

Senator HOEVEN. Well, Senator Moran is a very insightful Senator. And so, I think that's remarkably good advice. I know you do as well.

The final question I have for you is, the school lunch program, the chairman of this subcommittee and myself have put forward legislation, which we think is helpful. It provides some more flexibility for the school lunch program.

And it doesn't change the calorie limit because we all want to address childhood obesity, but it does provide some flexibility in terms of the amount of proteins and the cereal grains that students can receive, if they're older or taller, or just have different activity levels and physical needs.

And so I think it provides real flexibility for what we're all trying to do, and I would ask for you help and support with that.

I think we're putting it forward, and, certainly, the chairman can speak for himself, but it's very bipartisan. We're putting it forward with the idea of working with the Department to have the best possible product.

We actually have the endorsement of the school nutritionists nationally. And so I just ask for your willingness to help us with that legislation.

Secretary VILSACK. Senator, I think that what you and the chairman, and I suspect Senator Blunt in an earlier set of questions, I think you'll find that what you're proposing is pretty consistent with what we're currently doing and that we had discussion earlier about the need to make those kinds of flexibilities more permanent, which we agree with.

Senator HOEVEN. Yes. I thank you for the flexibility. You came out after we'd sent a letter and you responded. You were very responsive to it. Now we're just trying to make sure we've got a permanent solution in place, and we want to work with you on this.

Secretary VILSACK. Fair enough.

Senator HOEVEN. Good. Thank you.

Senator PRYOR. Senator Blunt would like to ask a few more questions.

Senator BLUNT. Thank you, Chairman.

We got a call this morning, Secretary, from one of our dairy farmers who has land in two adjoining counties. And they said they weren't able to receive their full NAP payment because FSA told them that you have to figure the loss in two different counties, and that isn't linked up yet.

Is this a problem we can take care of? Or is it already taken care of? The back online problem should solve this?

Secretary VILSACK. Clearly, the payments are back online. Whether or not it addresses your particular situation, I don't know, but we will find out today if it does.

Senator BLUNT. All right, thank you.

Secretary VILSACK. If it doesn't, we'll try to get that result.

GENETICALLY MODIFIED ORGANISMS

Senator BLUNT. Well, that's in two counties and apparently that's the problem. At least that's why they were told that they weren't getting their full payment yet.

I didn't intend to ask about this, but I want to be sure I understand it. Mr. Merkley brought up the GMO issue.

And as I understand it, and of course, that was in the House bill and we accepted it in an earlier decision to put those two bills together some time last year. But as I understand what that bill does is it—or what that bill did, and as Mr. Merkley pointed out, it only goes through September 30, it would give the Department the authority to do what essentially you did in 2010.

What happened in 2010 was a court said that a crop that you had allowed to be planted, a deregulated crop, sugar beets at that time, which, certainly, Mr. Tester knows more about sugar beets than everybody else here put together. By the time we got to 2010, 95 percent of all the sugar beets in the country were this new strain of sugar beets.

And a judge said in August 2010, much too late to do anything different than you've done that year, that USDA had made a mistake for environmental reasons, not for food safety reasons but environmental reasons, you hadn't check in that boxes, and this product couldn't be harvested or sold.

As I understand this provision, it gives you the authority to figure out how to let that one crop, that annual crop, be harvested and sold unless you agree with the court. And if you agree with the court and aren't going to appeal, you don't have to do this at all.

And by the way, by February 2011, a higher court had said that's nonsense and of course this crop can be harvested. But I think, by then, you had done some things that I'm told this provision just gave you the authority to do if it ever came up again.

Would you want to respond to that?

Secretary VILSACK. Sure. Your recitation of the rather complex situation with sugar beets is absolutely correct.

I guess my attitude about this is that I don't think it was necessary. And this is a delicate conversation we're trying to have within agriculture between those who are strongly committed to new technologies and genetically modified efforts, and those who feel very, very strongly and passionately about organic or alternative or different ways of agricultural production.

And I'm trying to create a conversation between these two ways of thinking, which is a very difficult conversation, because people think passionately about this.

And to a certain extent, I think what happened when that amendment was passed or put in is it created a concern that people were trying to slip something through at the last minute without much debate. And it makes that conversation just a bit more difficult than it needs to be.

And as you point out, it doesn't necessarily do anything I can't already do. So my view of this, why stir up the pot if you don't have to?

We're going to make these decisions based on the science and based on the law, which is the way they ought to be made. And this creates, I think, some confusion, and I think makes it harder to have that conversation.

Senator BLUNT. I particularly agree in the short term where you're only doing something that lasts for 4 or 5 months anyway. I tend to think that was right, though not only did it allow you to do something that you already had the authority to do, it allowed you to do something you'd already done in this 2010 case.

So this thought that somehow this is some extraordinary—it made the Department do something the Department couldn't do. In fact, it specifically said, as I looked back at it after it got all these attention, that if you agreed with the court and you weren't going to appeal, you didn't have to do anything. You could tell all these farm families, you can't sell the crop that we told you last spring you could plant.

But, of course, that had not been your position when this had come up before.

Secretary VILSACK. And what you've just indicated is precisely the reason why I was concerned about this, is that it gets reinterpreted, misinterpreted, expanded, concerns are expressed about what the real intent of something is, while we're trying to have this delicate conversation.

But, Senator, in the time that we've had this conversation, the good news is your NAP issue for you Missouri farmers has been resolved.

Senator BLUNT. It was a long enough question, Mr. Tester, that it actually can solve a problem while I was asking the next question.

Now, this is a good response, Mr. Secretary. I'm glad to hear that.

I had two or three others. I'll just submit those for the record. I don't want to take more of everybody else's time than we need, but I will submit some more, a couple of more, questions for the record.

Senator PRYOR. Thank you.

Senator Cochran, do you have any questions?

BIO-BASED MARKET PROGRAM

Senator COCHRAN. I have one, just as a matter of curiosity.

And that is, is there any bias in the Department of preferring bio-based market program items for home construction over traditional forest products?

Secretary VILSACK. No, I don't think that there's a bias, Senator. I think that we actually have a green building initiative at the Forest Service where we're trying to educate folks about the important component of wood in construction.

I think it's a matter of education. I don't think it's a bias. I think there was an understanding of precisely what the laws and regulations require in that particular program. But I wouldn't suggest there is a bias.

But if you have an indication there is, I'd be more than happy to visit with you about that.

Senator COCHRAN. Well, it's just a matter of personal curiosity. My staff had written out a question suggesting that I ask you about the bio-based markets program. And I'm really not familiar with all of the details of how it works, and to what extent it is an effort to pressure through use of awards or rewards one type of building construction over another.

Secretary VILSACK. I think the way it's structured, it's designed to promote new and innovative opportunities to support new and innovative opportunities, on the theory that matured industries don't necessarily need a leg up or assistance. So I think that's the strategy and what happens is it, obviously, works to the detriment of some particular materials that are more traditional.

Senator COCHRAN. How can bamboo be more renewable than pine? They're both the same in terms of renewability, aren't they?

Secretary VILSACK. It has to do with the newness of the technology and the utilization. I'm not disagreeing with you. We're trying to work through this. And one way we're trying to work through it is all of our Forest Service projects from now on have a preference for green for wood. And we've had several projects that have been built recently. And we're trying to encourage more of that understanding on some of the more traditional materials.

Senator COCHRAN. Thank you very much.

Thank you, Mr. Chairman.

Senator PRYOR. Thank you, Senator Cochran.

Senator Tester.

GENETICALLY MODIFIED ORGANISMS

Senator TESTER. Thank you, Mr. Chairman, and I want to thank the Secretary once again. And I do want to thank you for your realization about the delicateness of the whole GMO issue. I appreciate that a lot.

We can debate this offline, but I mean, I think the interpretation is if you make a decision, this is where this is different, and the court makes another decision that says you did it improperly, you're required to stay with that original decision. That's what the GMO rider did, from my interpretation. I could be wrong. I don't want to go down this line right now, because I've got other questions I want to ask.

PLANT BREEDING

Classical plant breeding, I'm actually very concerned we're not doing enough with our Federal dollars for research on publicly available, locally adapted seeds. And I think that they're critically important. A diverse seed supply is important. I think you alluded to that previously.

I guess Congress has highlighted the issue through report language, urging conventional and animal breeding and public cultivar development to be a priority for your Department. The question is, I guess it's fair to say there are concerns out there that it's not a priority. And I just want to get your perspective on those things.

They're critically important, as we see our climate changing all the time. And given the challenges of food security, diversity, farmer viability, where is the Department on this or you personally?

Secretary VILSACK. Senator, I think you're going to see additional investments in this area as a result of the concerns that have been expressed by folks.

Let me just simply say that as part of the AC21 effort, and as part of our concern about climate and adaptation and mitigation strategies, there is an emphasis on this. We put together a team in USDA to take a look at climate adaptation and mitigation. Part of that team is looking at the whole issue of seed and germplasm, and what do we have, what don't we have, what are the risks, and so forth.

So I wouldn't say that there is a lack of concern about this at all the Department. There's an understanding of the need for it.

Senator TESTER. I think it's good. And I think in a time where farmers are tending to lose control of the seed that they plant, in other words, somebody else owns it, I think these public cultivars are very, very important. Just wanted to pass that along.

CONSERVATION FUNDING

Conservation funding. This budget proposes critical conservation programs significantly below level established in the farm bill. Look, from a Montana perspective, from a country perspective, this is a huge industry, this outdoor industry, which the conservation helps promote.

The question is, we're in this game, whether it's politics or agriculture, to be able to pass the land on, and pass the country on to the kids in better shape that we got it.

So in this particular area, I'm not sure that the budget helps us do that, and I was wondering why conservation programs were targeted in this way.

Secretary VILSACK. Well, Senator, I respectfully suggest that we are committed to conservation. We're adding 26.3 million acres to our conservation programs, and it will mean that there will be another 80,000 producers assisted. It will mean that we'll continue to increase the record and historic amount of acres enrolled in conservation programs.

When the 2008 farm bill was passed, you were in a much different fiscal circumstance than you find yourself today. So this is about challenges and strategies.

So back to my point about being creative, there are two additional strategies that you weren't using in 2008 that we are currently using, which we think will expand and continue a commitment to conservation.

First is this issue of regulatory certainty. We did not have the relationship we have with the Department of the Interior in 2008 on the Endangered Species Act where we're now being able to grant producers 30 years of regulatory certainty on the Endangered Species Act if they engage in certain conservation practices.

We did not have the relationship we are currently having with States like Minnesota, States like Maryland and Virginia who are in water certifications programs, where, using our conservation programs, they get deemed in compliance with their certification State requirements.

So this regulatory certainty creates an additional incentive and opportunity to expand conservation.

Second, that notion of ecosystem markets, we are focused very heavily on trying to measure and quantify the results of conservation. We believe strongly that if you can measure and quantify the results, then you can get private sector investment in conservation in order to sustain and comply with the regulatory responsibility that a utility or another industry may have that they can more easily and more inexpensively meet by conservation on a farm than building a water treatment facility on their grounds.

GENETICALLY MODIFIED ORGANISMS

Senator TESTER. You've got it. Okay.

One last thing, if I might, Mr. Chairman. You talked about the AC21 committee. I want to talk about the AC21 committee on biotech really quick.

You talked about the ability to coexist with organic sector, with purebred seed folks. And I think that there's going to be other issues that come down the line.

Let me give you an example. You can have a biotech crop like corn that's being used in a corn chip somewhere. And you can have another biotech corn plant that has an ingredient called amylase, which is good for making biofuels, but really destroys the chip market if it's commingled.

I guess, as that committee came out with its recommendations—and the commingling issue is not going to away. I think it's going to become more and more of a problem as we move forward. Do you have any suggestions or did they give you any suggestions on how you can move forward in a way that's sustainable financially and really deal with the coexistence issue?

Secretary VILSACK. I'm not sure that we specifically addressed the commingling issue as it relates to your particular example. But the way to answer your question, I think, is to say that there were three main focuses of this effort.

One was identifying stewardship responsibilities that producers of GM products will have, and understanding what's being raised around them, and timing and types of planning decisions that could minimize or reduce the risk of commingling.

And then, second, creating some kind of financial mechanism, maybe it's insurance, maybe it's something different than that, that would cover the risk of commingling when someone is financially devastated as a result.

And third is continuing to do significant research so that we understand better what's actually happening out there, because there's a lot of talk about what's happening, but there's not a whole lot of data about what's happening.

So collecting information and analyzing it and researching it will allow us to do a better job with the stewardship and the risk management piece of this.

Senator TESTER. I appreciate that. And I would hope that research would happen even before it's released into the ecosystem to find out what the potential of it happening out there is.

I mean, Mother Nature is a very simply but yet very complex beast, let's just put it that way. And I think that the tools are out there, and the potential tools for genetically modified plants makes a person very hopeful. But we need to make sure we're not getting more than what we bargain for. After it's into the ecosystem, you can't pull it out.

So thank you, Mr. Secretary. I just want to say thank you very much for the job you've done in the Department. I very much appreciate it, as somebody that's involved in production agriculture, the work that you've done and your commitment to rural America. Thank you very much.

AGRICULTURAL RESEARCH

Senator PRYOR. Thank you, Senator Tester.

Mr. Secretary, I want to thank you for being here. I do have some questions for the record. We need to move on to the second panel at this point, but I do have some questions about the Dale Bumpers Small Farms Center. I do not support the closing of that center.

And also some of the unique funding challenges for the Arkansas Children's Nutritional Center, but I want to follow up on that with you offline and talk through that and walk you through that and you can walk us through that, and hopefully come to some sort of agreement.

And then I just want to end where we started. I asked you about agricultural research in the beginning. I think it's critically important. And again, we'll follow up on this and talk about this in a separate setting. But you focused on competitive research, and I think that the capacity funding for our land grant universities is also important and let's just continue to have that conversation as we go.

And I want to thank you and your team for being here today. We look forward to continue working with you.

And, as you know, we always have an open line of communication, and we'd love to hear from you, love to continue to work with you.

Secretary VILSACK. Thank you, Mr. Chairman.

Senator PRYOR. Thank you. Thank you very much.

OFFICE OF INSPECTOR GENERAL

STATEMENT OF HON. PHYLLIS K. FONG, INSPECTOR GENERAL

ACCOMPANIED BY:

GIL HARDEN, ASSISTANT INSPECTOR GENERAL FOR AUDIT

KAREN ELLIS, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS

Senator PRYOR. I'm now going to introduce our second panel. And, as our staff clears the table and resets it, I'll just go ahead and just say very briefly, our second panel today is the Honorable Phyllis Fong. She's the inspector general of the U.S. Department of Agriculture.

And my understanding is, Ms. Fong, this is your first time to be before this subcommittee. We welcome you here. We thank you for your work. And I know that we have questions for you about some of the efforts you've done at the Department of Agriculture.

I know you have Karen Ellis and Gil Harden here, and we want to welcome all of you to this.

So if you would go ahead and start with your opening statement, we'll limit that to 5 minutes. Thank you.

Ms. FONG. Well, thank you, Mr. Chairman, and Ranking Member Blunt. It's really a pleasure to be here this morning. And as you point out, it is our first time. So we're looking forward to a good exchange of views.

We appreciate the support that this subcommittee has shown for the Office of Inspector General and our work. And, as always, we welcome the chance to address your concerns.

You have my full written statement, so I won't go into great detail. Let me just very quickly summarize that our mission at the Office of Inspector General is to support the Department and to help the Department deliver its activities as effectively as it can.

And so we do spend quite a bit of time on very high-priority issues involving the safety of the food supply, involving the Department's biggest programs, the Supplemental Nutrition Assistance Program (SNAP), as well as the various management activities of the Department including financial management, improper payments, information technology (IT) security, and the full range of Department activities.

PREPARED STATEMENT

And, as you know, we had a very successful year. Last year, we reported outstanding productivity. And so, we would just summarize by asking your support for our budget request for fiscal year 2014.

And with that, we're ready to address your questions.

[The statement follows:]

PREPARED STATEMENT OF HON. PHYLLIS K. FONG

Good morning, Chairman Pryor, Ranking Member Blunt, and members of the subcommittee. Thank you for the opportunity to testify concerning the oversight the Office of Inspector General (OIG) provides to Department of Agriculture (USDA) programs and operations. As you know, OIG's mission is to promote economy, efficiency, effectiveness, and integrity in the delivery of USDA's programs.

OIG conducts audits designed to ascertain if a program is functioning as intended, if program payments are reaching intended recipients, and if funds are achieving their intended purpose. Our audits make recommendations we believe will help

USDA better accomplish its mission. We do not have programmatic or operating authority over agencies or programs; instead, agencies are responsible for implementing our recommended corrective actions. We also conduct investigations of individuals and entities suspected of abusing USDA programs—these investigations can result in fines and imprisonment for those convicted of wrongdoing, disqualification from USDA programs, and agency disciplinary actions for USDA employees found to have engaged in misconduct.

In fiscal year 2012, OIG's activities resulted in potential monetary results totaling over $1.5 billion. We issued 76 audit reports intended to strengthen USDA programs and operations, which produced about $1.4 billion in potential results. OIG investigations led to 538 convictions with potential results totaling over $106 million.

Today I will discuss our most significant recent audits and investigations under our major strategic goals, which provide a framework for prioritizing OIG's continually changing portfolio of oversight work. We will summarize our remaining work overseeing the Department's administration of American Recovery and Reinvestment Act of 2009 (Recovery Act) funds.[1] Finally, we will conclude with a description of the cost-saving actions that OIG is taking in fiscal year 2013 to live within its budget constraints, as well as a summary of the President's fiscal year 2014 budget request for OIG.

OIG GOAL 1: STRENGTHEN USDA'S SAFETY AND SECURITY MEASURES FOR PUBLIC HEALTH

To support USDA's mission to ensure the wholesomeness of the U.S. food supply, OIG conducts audits and investigations intended to ensure that U.S. consumers purchase safe, high quality products.

The Animal and Plant Health Inspection Service (APHIS) and Smuggling Interdiction

APHIS' Smuggling, Interdiction and Trade Compliance (SITC) unit prevents the unlawful entry and distribution of prohibited agricultural products that may harbor plant and animal pests, diseases, or invasive species. These prohibited products and pests cause billions of dollars in lost revenue and millions in cleanup costs. We found that SITC's control environment did not include a system of management accountability that would foster efficiency, adequacy, or accuracy in achieving its core mission and reporting its results. For example, 90 percent of SITC's market surveys (intended to seize prohibited products and investigate their origins) were not successful at either seizing a prohibited product or in generating a trace back to identify the importer of a prohibited product. For the surveys that were successful in these two areas, SITC did not take further action to stop future shipments for 96 percent of the higher risk imported prohibited products it seized. We recommended that APHIS assess the effectiveness of SITC's mission, and the agency agreed.

The Food Safety and Inspection Service (FSIS) and Meat Inspection

OIG has also published several recent audits intended to help improve the quality of inspections FSIS performs at meat processing plants around the country. One audit set out to determine if FSIS has sufficient inspection personnel to adequately monitor establishments that process meat and poultry products.[2] Although FSIS requires inspectors to visit slaughter establishments at least once per day, and at least once per operating shift, we noted that inspectors did not always comply due to events such as inclement weather, traffic delays, inspector delays at prior establishments, and unscheduled leave by inspectors. When such unexpected events occurred, FSIS had not established mitigating procedures for inspectors to use during the next scheduled visit to ensure that meat and poultry products were processed on the missed date in a safe and sanitary manner. We recommended that FSIS develop mitigating procedures for inspectors to perform when they miss scheduled inspections at processing establishments and require supervisors to analyze data from followup visits. FSIS generally agreed with our recommendations.

OIG also reviewed how effectively FSIS tests boxed beef items that downstream processors used for ground beef production and found that the agency needs to reevaluate its E. coli testing methodology as it relates to the downstream processing of boxed beef products. While FSIS tests product designated as ground beef or likely to become ground beef, it does not sample all boxed beef product. Some downstream processors grind such boxes of cuts of beef without sampling it for E. coli prior to

[1] Public Law 111–5, 123 Stat. 115 (2009).

[2] Because FSIS did not track whether establishments missed scheduled procedures due to unavailable inspectors, we were unable to reach a conclusion on the sufficiency of FSIS' inspection staff level.

grinding. Similarly, "retail exempt establishments"—such as grocery stores, restaurants, hotels, butcher shops—often grind their own ground beef; but unlike federally inspected plants, FSIS does not sample and test bench trim at these establishments for E. coli. We recommended that FSIS take additional steps to ensure that beef to be ground throughout the production process—from federally inspected slaughter establishments to local grocery stores—be subject to FSIS sampling and testing for E. coli, and the agency agreed.

Several recent OIG investigations have also highlighted the need for continued vigilance in the area of food safety. In May 2012, a Kansas food company was convicted and sentenced to pay $480,282 in restitution to the U.S. Bureau of Prisons for selling misbranded meat products. From August 2006 through July 2007, the manufacturer caused more than 1 million pounds of beef trim to become adulterated and misbranded; it then sold, transported, and delivered this beef to Federal correction institutions located in several States.

Other investigations have helped protect the USDA organic label from individuals who would abuse it. In April 2012, an Oregon man who sold 4.2 million pounds of conventionally grown corn falsely labeled as USDA-certified organic corn was sentenced to 27 months in prison and 36 months of supervised release for wire fraud. This corn had been fed to cattle, and the resulting beef and dairy products were sold to consumers as USDA-certified organic. Similarly, in November 2012, the owner of a large volume organic products company was sentenced in California to 78 months in Federal prison for selling fertilizer falsely represented as organic. He was also ordered to pay $9 million in restitution.

OIG GOAL 2: STRENGTHENING PROGRAM INTEGRITY AND IMPROVING BENEFIT DELIVERY

One of OIG's most important goals is helping USDA safeguard its programs and ensuring that benefits are reaching those they are intended to reach. Given the size of the Food and Nutrition Service's (FNS) Supplemental Nutrition Assistance Program (SNAP)—$82 billion in fiscal year 2012—OIG has made a concerted effort to oversee compliance within that program.

OIG continues to direct a large percentage of its investigative resources to combating the trafficking of SNAP benefits.[3] In fiscal year 2012, OIG devoted about 52 percent of its investigative resources to SNAP-related criminal investigations, which resulted in 342 convictions and monetary results totaling $57.7 million. In a recent example, a north Texas grocery store owner pled guilty to SNAP trafficking, wire fraud, and running an illegal money transmitting business. The store owner was sentenced in January 2013 to 57 months of imprisonment and ordered to pay restitution of $1.4 million. During the investigation, SNAP recipients admitted to exchanging SNAP benefits for cash and to using SNAP benefits to wire money to friends and family members in North Africa.

We also continue to work closely with State and local law enforcement agencies to prosecute SNAP recipients who abuse benefits. For instance, in March 2012, when a Texas store owner was convicted of trafficking $1.3 million in SNAP benefits in his convenience store, OIG worked with local authorities to pursue the recipients as well. These individuals used their benefits to buy various ineligible items including gasoline, tobacco products, and alcohol, and also to play video poker at the store. To date, the local district attorney has accepted referrals of over 100 SNAP recipients for prosecution by the State of Texas.

OIG audits have shown that FNS can improve its controls over SNAP. One audit analyzed SNAP-related databases at Federal and State levels to identify anomalies that may result in ineligible individuals receiving SNAP benefits. We found that, while FNS and States do have tools for ensuring applicant eligibility and detecting fraud, States either do not make full use of the tools, or cannot rely on the data provided by the tools to take actions related to benefits. While our data mining reviews found a relatively low percentage of potentially ineligible recipients receiving SNAP benefits (just 0.20 percent), that percentage represents large sums in a program of SNAP's size—about $3.7 million per month. OIG recommended that FNS make full use of the fraud detection tools it already has, as well as strengthen its fraud reduction efforts. FNS agreed to our recommendations.

Other Food Assistance Programs

Of course, SNAP is not the only food assistance program that can benefit from improved oversight. The National School Lunch Program contracts with food service management companies to serve 31 million children lunch each day, with total dis-

[3] Trafficking is the illegal exchange of SNAP benefits for cash or other ineligible items. See 7 U.S.C. section 2024(b) and 7 C.F.R. section 271.2.

bursements of approximately $11 billion. Our review of 18 school food authorities showed that 11 did not exercise sufficient management oversight to ensure they received the full benefits of purchase discounts and rebates and the value of USDA-donated foods. As a result, we questioned almost $1.7 million in unallowable costs and USDA-donated foods that could not be accounted for. We recommended that FNS improve its controls over these contracts and agency officials generally agreed.

An OIG investigation revealed that an organized group of individuals opened 13 storefront operations in Georgia to defraud SNAP and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). From February 2009 to June 2011, this group illegally exchanged over $5 million in benefits for cash. To date, 16 individuals have been charged with conspiracy or theft of Government funds. In fiscal year 2012, 13 individuals were sentenced to incarceration periods ranging from 9 to 63 months and were ordered to pay a total of $6.3 million in restitution. Three individuals are scheduled for trial in June 2013.

An OIG audit of FNS' controls over vendor management and participant eligibility in WIC found that the agency's management evaluations did not identify and correct significant issues in the vendor management processes at two State agencies operating WIC. State agencies in Illinois and Florida lacked sufficient controls to track vendor violations for 42 vendors, and ensure timely and appropriate sanctions. As a result, these vendors were not disqualified as required by FNS regulations, and could redeem an estimated $6.6 million in WIC benefits during their required periods of disqualification. We recommended that FNS improve its controls over WIC, and the agency generally agreed.

Farm Programs

OIG also works to help ensure the integrity of USDA farm programs. A recent audit reviewed how the Farm Service Agency (FSA) determines the soil rental rates used for payments in its Conservation Reserve Program (CRP)—a program that provides annual payments to producers who agree to maintain conservation practices such as establishing grass cover on farms to prevent soil erosion and reduce chemical runoff. We found that FSA did not use the National Resources Conservation Service's (NRCS) most up-to-date measure of soil productivity, which uses scientific data relating directly to the ability of soils, landscapes, and climates to foster crop productivity on non-irrigated soil. Additionally, FSA did not use the National Agricultural Statistics Service's (NASS) statistically valid survey of county average rental rates for cropland and pastureland, and instead allowed States and counties to submit alternate rates, which were not always supported. OIG questioned these rates and determined that FSA's rates exceeded NASS' by about $127 million over the 10-year life of the CRP contracts. We recommended that FSA improve how it determines these rates, and the agency generally agreed.

The Risk Management Agency (RMA) and Crop Insurance

OIG has recently completed work on how RMA operates the crop insurance programs that U.S. farmers and ranchers rely on. One of our audits reviewed how RMA reinsures private insurance companies (known as approved insurance providers (AIP)) when they insure new producers. Such "new producers"—defined as those who have no more than 2 years of history farming a specific crop—are considered higher risk and RMA therefore reinsures the AIPs at a higher rate. We determined that 154 of 176 new producer-designated crop insurance policies in our sample were sold to insured producers who were not eligible for new producer status—57 of these policies resulted in indemnities totaling $2.4 million and $910,000 in associated costs. We recommended that RMA improve how AIPs determine if a producer should be considered new or not, and the agency generally agreed with our recommendations.

Our review of how RMA is overseeing Federal crop insurance coverage for organically produced crops found that transitional yields offered to organic producers overstated actual production capabilities of farmers producing crops using organic farming practices. We determined that this error resulted in excessive insurance coverage and higher indemnity payments for 35 of 48 crop policies with losses. Because the policies guaranteed excessive yields, at least $952,000 of the $2.56 million that RMA paid in indemnities were excessive. We recommended that RMA reduce transitional yields for crops produced using organic farming practices, and the agency agreed.

Several recent OIG investigations have also involved farm programs. In one case, RMA and OIG worked together to determine that a farmer in Illinois underreported his crop production in 2009 and 2010, thereby defrauding the Government of more than $500,000. The farmer pled guilty to money laundering and bankruptcy fraud, and was sentenced to 51 months of imprisonment and restitution totaling $1.8 million.

I would also like to draw the Committee's attention to a particularly noteworthy investigation involving widespread crop insurance fraud for tobacco in North Carolina, which has resulted in several cases. In one case an insurance agent was sentenced to 108 months of imprisonment and $8.3 million in restitution. In a second case a crop adjuster was sentenced to 48 months imprisonment and $21 million in restitution jointly and severally with the other subjects of the investigation. OIG's ongoing investigation of this conspiracy has resulted in a total of 40 convictions, 28 years' prison time, and $55 million in restitution, to date.[4]

OIG GOAL 3: OIG WORK IN SUPPORT OF MANAGEMENT INITIATIVES

OIG is also working to aid the Department in improving the processes and systems it needs to function effectively. Bringing its information technology (IT) systems into line with Federal standards has been a significant challenge for USDA. Over the last 4 years, OIG has made 49 recommendations in our fiscal year 2009–2012 Federal Information Security Management Act (FISMA) audits to improve the overall security of USDA's systems.[5] The Office of the Chief Information Officer (OCIO) has completed action to resolve 14, and USDA is taking steps to resolve the remaining recommendations.

In fiscal years 2010 and 2011, OCIO received about $66 million to fund additional IT security projects to address some of these system weaknesses. OIG reviewed the use of these funds and found that the office did not prioritize its efforts to mitigate IT security weaknesses and accomplish a manageable number of the highest priority projects before proceeding to the next set of priorities. Instead, we found that several of OCIO's projects did not meet the purposes outlined in the congressional request for funding or address the Department's most critical IT security concerns. For example, OCIO exceeded proposed budgets for projects, did not allot sufficient funding to key security areas, and did not completely implement the projects it started. We recommended that OCIO document the prioritization of projects Departmentwide, and the agency agreed to take the appropriate action.

Reducing Improper Payments at USDA

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) requires OIG to determine whether USDA complies with IPERA annually.[6] For fiscal year 2012, OIG determined that USDA did not comply with IPERA for a second consecutive year. USDA made progress in improving its processes to substantially comply with IPERA, but the Department was not compliant with three of the seven IPERA requirements, including reporting sufficient estimates for high-risk programs, reporting error rates below specific thresholds, and meeting annual reduction targets. By meeting reduction targets, USDA could have avoided making approximately $74 million in improper payments. As required, OIG must report to Congress that USDA did not comply with IPERA. For those programs that did not comply for 2 consecutive fiscal years, USDA must consult with the Office of Management and Budget to discuss further actions. We briefed USDA officials on our results, and they generally concurred with our findings and recommendations.

As part of the effort to eliminate payment error, waste, fraud, and abuse in Federal programs, OIG reviewed USDA's compliance with the executive order on improper payments and found that USDA has made significant improvements in identifying high-dollar overpayments within its 16 high-risk programs.[7] However, we noted that the component agencies' submissions to the Department did not always completely and accurately account for high-dollar overpayments and corrective actions, and that the Department did not submit these reports until 23 to 99 days after the required due date. We recommended that OCFO improve its oversight of this process, and the agency agreed.

At NRCS, OIG reviewed the steps the agency has taken to ensure that its conservation programs are reaching the intended participants and achieving their intended results. We found that NRCS has not implemented a comprehensive, integrated compliance strategy designed to verify that its $3.6 billion in conservation programs are being used as intended. Over the past decade, a number of OIG audits have demonstrated that NRCS has longstanding problems with verifying the eligibility of participants, participant compliance with conservation agreements, and the valuation of easements. We recommended that NRCS perform a risk assessment of

[4] These results include both cases.
[5] 44 U.S.C. sections 3541 et seq.
[6] Public Law 111–204, 124 Stat. 2224 (2010).
[7] Executive Order No. 13,520, 74 Fed. Reg. 62,201 (Nov. 25, 2009).

its vulnerabilities and focus its compliance activities on areas of program weaknesses, such as eligibility. Agency officials generally agreed.

Investigations of Wrongdoing by USDA Employees

When a USDA employee is accused of criminal activity, OIG is responsible for performing investigations of any wrongdoing. An OIG investigation found that a former FSA county committee member and her husband conspired to defraud USDA by stealing the identities of unsuspecting parties and submitting false and fraudulent claims. Ultimately, they caused FSA to make approximately $1 million in fraudulent payments. In August 2012, the former FSA county committee member and her husband were sentenced to 52 and 57 months in prison, respectively. In addition, they were jointly ordered to pay $802,490 in restitution.

OIG GOAL 4: IMPROVING USDA'S STEWARDSHIP OF NATURAL RESOURCES

Since USDA is entrusted with hundreds of billions of dollars in fixed public assets, such as 193 million acres of national forests and grasslands, OIG performs reviews to ensure that the Department is acting as an effective steward of these natural resources. One review found that the Forest Service (FS) allocated Recovery Act grants for wildland fire management (WFM) activities—such as hazardous fuels reduction, forest health, and ecosystem improvements—without the necessary controls to ensure that the grant funds were both properly accounted for and used for their intended purpose. These findings apply not just to Recovery Act grants, but to the entire FS WFM grant program. We also found that FS did not enhance its existing controls, despite the Recovery Act's requirements for greater transparency and accountability. As a result, grant recipients charged a total of $92 million in unallowable and questionable costs to both Recovery Act and non-Recovery Act grants. Additionally, FS staff did not take necessary steps to ensure that the agency met the Recovery Act's overall objective of maximizing job creation and retention in the most cost-effective manner possible. FS generally concurred with all of our audit recommendations.

OIG'S OVERSIGHT OF RECOVERY ACT PROGRAMS

We are working to finish our remaining oversight work directed towards ensuring that the $28 billion in funds USDA received from the Recovery Act served their intended purposes. Because many of our recommendations concerning Recovery Act funds also apply to regular USDA programs, our work will have lasting importance long after Recovery Act funding has been expended.

RD's Single Family Housing (SFH) Guaranteed Loan Program

In order to provide low- and moderate-income people who live in rural areas with an opportunity to own homes, the Federal Government guarantees loans and reimburses up to 90 percent of the original loan amount if a borrower defaults on a loan. Given increases in such loss claims—from $103 million in fiscal year 2008 to $295 million in fiscal year 2011—OIG reviewed the program and determined that RD needs to better identify loans with questionable eligibility prior to paying loss claims, reduce loss claims when lenders improperly serviced loans, and pay lenders only for eligible expenses. We estimate that the agency paid about $87 million in loss claims that were at risk of improper payments due to questionable loan eligibility, and paid about $254 million in loss claims for loans that were at risk of improper payments due to questionable lender servicing. We recommended that RD improve its loss claims process to address these circumstances, and the agency generally agreed with our recommendations.

Most of our remaining Recovery Act projects involve assessing agency determinations of program effectiveness through analysis of Recovery Act performance measures.

OIG'S FISCAL YEAR 2014 BUDGET REQUEST

OIG continues to offer Congress an excellent return on its oversight investment, per $1 spent. From fiscal year 2007 to fiscal year 2012, the potential dollar impact of OIG audits and investigations has been $6.9 billion, while our appropriations have been $508 million. For every $1 invested, we realized potential cost-savings and recoveries of about $13.66. This calculation does not include the value of our food safety work and program improvement recommendations, which are extremely important to USDA's mission and the welfare of the general public, but are not easily quantified.

We have also streamlined our operations in an effort to work as efficiently as possible. For example, in fiscal year 2012, OIG conducted a functional analysis to ensure that we, as an agency, are tying our resources to what is most critical to meeting our mission and are positioned to operate as efficiently and effectively as possible. Based on this analysis, we are taking the following steps to build a leaner and more effective agency:

—offering Voluntary Early Retirement Authority and Voluntary Separation Incentive Payments (39 employees separated pursuant to these authorities);
—increasing the use of video and teleconferencing to reduce travel costs;
—reviewing leases and office structure, resulting in savings from steps such as office consolidation;
—allowing employees to fill GS–14 and GS–15 positions without moving, which has reduced relocation costs; and
—shifting Investigations and Audit employees away from headquarters and to the field, which puts more resources into activities that directly accomplish our mission.

Although these steps have enabled OIG to continue performing its oversight role despite a restricted budget, we note that OIG is presently functioning at its lowest level of authorized staffing since 1963. The availability of staff and travel resources has become a key consideration in determining which audit and investigative matters OIG can undertake.

We ask that you support the President's fiscal year 2014 budget request of $89.9 million for OIG, which would enable us to provide effective oversight of USDA programs and help ensure that tax dollars are being well spent. The President's budget includes modest increases in areas where we should be able to produce a high-value return for a relatively small investment:

—$785,000 to support statistical sampling that would accurately project the extent of improper payments in audits of USDA benefit programs. This multiplies our work's range and effectiveness, especially for very large programs like SNAP.
—$620,000 to fund enhanced audit and investigations oversight of USDA's international programs.
—$1,217,000 for investigative initiatives to address SNAP fraud on the part of both retailers and recipients involved in benefit trafficking.
—$468,000 for the Council of the Inspectors General on Integrity and Efficiency by funding Government-wide activities to identify vulnerabilities in Federal programs.
—$667,000 for increased pay costs to support and maintain current staffing levels to meet the demands and statutory requirements of OIG. Approximately 86 percent of OIG's budget supports personnel compensation.

This concludes my testimony. Thank you for the opportunity to testify, and I would be pleased to address any questions you may have.

Senator PRYOR. Great, thank you.

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

Let me start with the SNAP program. Obviously, SNAP is nearly an $80 billion program, which is the largest single USDA program. Can you just give us a brief summary of the work you've been doing to combat fraud and abuse in SNAP, and the recommendations that you've worked on, on SNAP.

Ms. FONG. Well, thank you. That is definitely a focus for our office. It is the biggest program. And what we have tried to do over the last 5 or 6 years is really pinpoint the areas in the program where there is potential for vulnerability and fraud. And so, we're looking, for example, at the Department level, how the Food and Nutrition Service (FNS) manages the program. We're looking at the interaction between retailers and beneficiaries. And we're looking at how the States make the determinations on eligibility for recipients.

We have issued numerous audit reports and investigation reports with a lot of recommendations to the Department. And FNS, I'm happy to say, is working with us very collaboratively on trying to address these issues.

Senator PRYOR. That's good news.

NATIONAL SCHOOL LUNCH PROGRAM

Let me also ask a similar question about the National School Lunch Program. I know you've been doing audits there, and can you give us just a brief update on the National School Lunch Program and your findings there?

Ms. FONG. You're correct that that is an area of focus for us as well. We are, right now, looking at the improper payment issues in that program. The rate of improper payments tends to be very high as estimated by the program.

We have done some work recently involving the food service management companies, and whether or not the rebates that those companies receive are passed along appropriately. And we will continue to work in that program.

Senator PRYOR. Okay.

Senator Blunt.

Senator BLUNT. Thank you, Chairman.

WIC PROGRAM

Following up on the chairman's questions about SNAP, the WIC program, there appears to me to be, in the information we've had, a difference in the people who are taking advantage of the system and people who are violating the law.

And as I understand it, in Georgia recently you found some real violations of law. In California, an issue that we've talked about at this same hearing with the Department, not necessarily with you, last year, it turns out that California's rules and regulations were so flexible that they let people do things that were clearly stressing the system in bad ways, but not necessarily illegal behavior.

Would you talk a little about how both of those things are things that we need to try to do something about?

Ms. FONG. Well, this is an area that we are finding that we need to spend more time on, the WIC program.

As you point out, there has been quite a bit of fraud. And some of our cases in Georgia really point out the kinds of trafficking that we have seen, which is very similar to the trafficking that we find in the food stamp program.

The other situation that you mention, we appreciate your bringing that to our attention. We have not, to date, done work on that particular issue, but we do have some ongoing audit work that we are starting now, focusing on the vendors in the WIC program and how the food prices can be worked with.

I believe we'll be focusing on that in that audit, and we should have more to report on this next year.

Senator BLUNT. Okay. As I understand, as I recall this from last year, the California situation was a number of stores had been set up really focused as WIC or SNAP locations, but more WIC because you're buying product, as I understand it, and then they're getting reimbursed for what they charge for it.

But the California rules appear to be rules that actually allow some of that behavior to happen, maybe not ethical, but legal where I think we need to—I'll look forward to your response to that as you have a chance to look at what if anything can be done so that you don't have locations just set up to game the system and do it within the rules of the system.

Ms. FONG. I think one of the issues that we would want to look at is how this is being implemented nationwide, whether there is any variance between States. And there may be some issues that could be addressed at the national level on that.

IMPROPER PAYMENTS

Senator BLUNT. And for the second year in a row, OIG has found that USDA doesn't comply with the Improper Payments and Recovery Act, because of the complexity of these programs? What's your sense of why that is?

Ms. FONG. Well, you're referring to the requirements that, every year, the Department has to identify its improper payment activity, it has to identify where the issues are that may result in improper payments, and then report on actions that it will take to address those issues.

And under those statutes, we in the Office of Inspector General have to audit the Department's efforts. And as you point out, for the second year in a row—this is a fairly new requirement that we go in and audit these efforts. We have found the Department has made progress.

Since last year, it's made progress. But there are still areas that need to be addressed. And we are seeing issues, both at the Department level, as well as at the individual agency level, as well as issues with improper payments in particular programs.

Our written statement identifies a number of specific programs where we have found improper payment issues. So this will continue to be a high priority for us.

Senator BLUNT. Well, thank you.

Mr. Chairman, I have some other questions I think I'll submit for the record. So that's all I have right now.

Senator PRYOR. Thank you, Senator Blunt.

Let me go ahead and ask a couple of more before we break for the day here.

REDUCTION IN WORKFORCE

I know that we're in a budget-declining and budget-restricted time. And one of the results of that is going to be a fewer number of staff. And I think, in some ways, we should applaud that and encourage that and find those efficiencies. But I do have a concern about some agencies as they reduce staff, might the program integrity suffer, might it open the door for fraud and waste and mismanagement, because there's just not as many people there taking care of the Nation's business?

So have you had that experience at USDA? Are you seeing any drop off with the number of employees going down?

Ms. FONG. I think you put your finger on a very difficult issue. There's no question that many of the agencies are losing significant portions of their workforce, and they tend to lose the very experienced people who really know the programs inside out.

And I think we have, as an office, seen that there are succession-planning challenges, there are challenges in continuing to deliver the programs with less staff.

And I don't know what the solution to that is. As we do our work within the Department and identify areas that need work, we try to come up with solutions that are not staff-intensive, that make better use of IT, for example, that may be more efficient in terms of business process.

But I think we will continue to see the Department challenged in this regard.

Senator PRYOR. And do you think you'll see the incidence of waste and maybe fraud go up as the staffing levels go down?

Ms. FONG. I think it's hard to predict. Some of the recommendations that we do make to the agencies are that they come up with a baseline estimate on the level of fraud in their programs.

And just for an example, within the SNAP program, the agency has identified a certain percentage of what it believes to be improper payments. But in our view, they don't have a good estimate on the level of fraud or trafficking. And so we have made recommendations to them that they actually engage in that analysis so that they have a benchmark and then can measure whether things get better or get worse over time.

CIVIL RIGHTS

Senator PRYOR. And for my last question, I want to have some questions for the record as well, but for my last question, I'd like to ask about a sensitive subject at USDA, because USDA has had some problems in this area of civil rights over the years.

And there was recently a New York Times article that was critical of the processes that the Department utilized to settle four large civil rights cases. I don't know if you had a chance to read that or if you're familiar with it.

But basically, the article points out that the administration at USDA made certain decisions that maybe maximized claimants chances of receiving a settlement and that there possibly was fraud and fraudulent tactics on the parts of the claimants.

I don't know if you're familiar with that. That's a fairly serious charge, and I was wondering if you have any investigation along those lines, again, if you're familiar with that story and the circumstances around it.

Ms. FONG. Thanks for that question.

I believe the article is focused on the so-called *Pigford II* litigation situation. And as you know, that's been a longstanding challenge for the Department. We in the Office of Inspector General have been dealing with *Pigford* situation, both on the audit as well as investigative sides.

On the investigation side, very simply, whenever there are allegations of fraud in that process, our agreement with the Department of Justice is to refer those allegations to the Federal Bureau of Investigation to look at. And we have done that for the past 10 years or so.

One the audit side, because of a concern that payments may be made improperly to people who don't deserve the claims, as you probably know, Congress mandated that we do an audit, a performance audit of the *Pigford* claim process, prior to any payout of the claims.

And so we are, right now, engaged in that audit. We have just about finished our fieldwork. And we should have a report out in the near future, which, I think, will help the process and help to ensure integrity in that payment process.

ADDITIONAL COMMITTEE QUESTIONS

Senator PRYOR. Great.

Listen, I want to say thank you. We're going to have other questions for the record. And I know other subcommittee members will have those as well.

So thank you for being here, and thank you for your preparation and for you appearance, and also, of course, to Secretary Vilsack.

What we're going to do on the subcommittee is we're going to allow Senators 1 week to submit additional questions to the subcommittee staff, and that's a week from today, so that's Thursday, May 16. And then we'll send those over to USDA.

We would appreciate you all having your answers back within 4 weeks of that time.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO HON. THOMAS J. VILSACK

QUESTIONS SUBMITTED BY SENATOR MARK L. PRYOR

STRIKEFORCE INITIATIVE

Question. In 2010, the Department implemented the StrikeForce Initiative to increase participation in USDA programs in high poverty counties. Selected counties in Arkansas, Georgia, and Mississippi were included. Recently, USDA announced expansion of this initiative into 10 additional States. NRCS, FSA, and RD are all involved in the StrikeForce Initiative.

Can you please explain how the StrikeForce Initiative works?

Answer. The USDA StrikeForce for Rural Growth and Opportunity was piloted in 2010 as a partnership with community-based organizations (congregations, volunteer organizations, nonprofits and others) to improve access to USDA programs in poverty-stricken rural areas with more than 20 percent poverty. NRCS, FSA, RD, and other USDA agencies work together to increase awareness and enrollment in programs.

The overall goal for StrikeForce is to increase partnership with rural communities and leverage community resources to reduce poverty in targeted, persistent poverty counties. USDA aims to accomplish this by increased technical assistance through meetings and trainings; providing assistance to increase the number of applications for USDA program associated with the Socially Disadvantaged Groups; assessing the number of successful applications to USDA programs by Socially Disadvantaged Groups; and a 10-percent increase in funding from all USDA programs to StrikeForce target areas.

StrikeForce is coordinated at USDA headquarters and managed by NRCS, as the current chair of the National Food and Agriculture Committee. State conservationists in each StrikeForce State lead the effort with RD, FSA, and regional representatives from AMS, FNS, and RMA. Each agency in the 16 StrikeForce States has a designated agency StrikeForce lead, usually the State Conservationist for NRCS, State Director for RD, or State Executive Director for FSA. Arkansas, Georgia, and Mississippi are the original States that were in the 2010 pilot; Colorado, New Mexico, and Nevada were added to the Initiative in 2011; and Alabama, Alaska, Arizona, North Carolina, North Dakota, South Carolina, South Dakota, Texas, Utah, and Virginia were added in 2013.

Question. What successes have you seen to date, and how do you plan to measure success over the long term?

Answer. NRCS has forged partnerships with key local nonprofit organizations to host hundreds of outreach meetings with historically underserved populations, and has allocated $35 million above normal program allocations in the Environmental

Quality Incentives Program (EQIP) over the last 3 years. As of the second quarter of this fiscal year, a total of 1,295 contracts have been selected for funding, obligating over $22 million on more than 500,000 acres of eligible lands. NRCS will continue to evaluate funding applications through the end of the year to increase funding through the StrikeForce Initiative, which currently represents about 10 percent of EQIP second quarter national financial assistance obligations. In addition, NRCS is developing targets that will enable a better measure of success in reaching historically underserved and Socially Disadvantaged Groups in StrikeForce areas.

RD obligated a total of $65 million in StrikeForce areas for the Rural Housing Community Facilities Program in 2012, which was a 112-percent increase over 2011. USDA is increasing homeownership opportunities in New Mexico for families living in the Colonias communities of Luna, Hidalgo and Dona Ana Counties along the U.S.-Mexican border. RD worked with the Southwest Regional Housing and Community Development Corporation and Tierra del Sol Housing to increase the number of USDA home loans from 22 in 2011 to 58 in 2012, and as of May 2013 has 36 loans completed.

FSA has had a significant increase in direct farm loans during the last year in StrikeForce States even as the number of applications nationwide has decreased slightly. Second quarter FSA farm loan reports for 2013 show a total of 1,869 direct loans made in StrikeForce States, for over $150 million. In Arkansas the number of direct and guaranteed loans has increased each year, with 159 loans in 2010; 170 loans in 2011; and 204 loans in 2012. As of April 2013, a total of 169 loans have been made.

The new FSA Microloan Program should further assist the credit needs of minority, women, and beginning farmers, who typically have smaller farm operations, less farm equity, or lack a sufficient credit or production history. Between mid-January and mid-June, FSA is on track to obligate over 2,600 Microloans valued at more than $50 million; and 85 percent of those loans are going to historically underserved groups. Additionally, 67 percent of Microloan borrowers are first-time farm loan participants, an indicator that the program is accomplishing a primary objective of removing barriers to USDA program participation in StrikeForce States.

Question. A critical component of this program appears to be the leverage attained from increased cooperation across USDA agencies, coupled with improved reliance on local organizations and institutions.

In this era of reduced resources, how does the Department have the funds to expand the initiative?

Answer. There is no new funding and USDA agencies are using existing resources from congressionally approved and appropriated programs. We are working to improve program effectiveness by collaborating across agencies to reduce redundancies and by targeting our efforts to areas with the greatest need. Agencies will continue working together to leverage resources with private sector non-governmental organizations, the philanthropic community, and others to educate and advise potential program participants who previously were unaware of their eligibility. In addition, participating agencies will take turns leading the initiative at national headquarters to share the responsibility of collaboration and coordination.

Question. With local organizations and institutions also facing administrative cutbacks, is this model sustainable?

Answer. We believe it is. The StrikeForce Initiative has been successful in large part because of our partnerships with local organizations. We understand those organizations may face funding pressure in the future. However, we will continue to work closely with local community-based organizations, colleges and universities, State and local governments, and other partners because we can accomplish much more by combining our financial resources and staff and being smarter about how we invest in rural America. Working together helps stretch limited funding, technical assistance and manpower.

NATIONAL INSTITUTE ON FOOD AND AGRICULTURE

Question. Secretary Vilsack, I was pleased to see the large funding increase requested for NIFA and AFRI. We're the world leader in agriculture production, and the demands on the industry are continuing to grow, but we're being far outspent by China, India, and Brazil when it comes to agricultural research. If we want to remain the world leader, we need to up our game.

However, while competitive funding is an important tool, capacity funding at our land-grant universities is equally important. Unlike competitive research, it provides a steady stream of revenue to allow for a wide range of real time, real world research that can solve local and regional problems immediately, and that can be disseminated through our extension service to make sure the research is implemented. Our land-grant universities have provided the bedrock support that has made our agricultural research system the envy of the world and helped position the United States as the world's largest food exporter.

These funds are highly leveraged, with State and local governments often providing 10 times as much in matching funds as the original Federal investment. It's a good use of taxpayer dollars.

Why is the focus solely on competitive research, when there are so many benefits, both long and short-term, to capacity funding as well?

Answer. The aim of the President's budget request for the National Institute of Food and Agriculture is to provide a balanced investment of resources to support research, education and extension programs in food, agricultural, natural resources, and human sciences. The budget proposes to support the capacity programs at the 2012 level. Restoring this funding level for 2014 will provide the land-grant institutions an 8-percent increase above the final amounts available during 2013 and provide critical base support for research and extension capacity throughout the land-grant system. These funds, with support from State and local sources and in combination with competitive grants, will assure the continued preeminence of our Nation's food and agricultural research and extension enterprise.

The 2014 budget supports the need to continue investing in growing capacity, including moving beyond the capacity support for 1890 Institutions, to include continued support for other programs that support minority-serving institutions. About 55 percent of the NIFA budget supports capacity programs.

CONSOLIDATING BUSINESS PROGRAM GRANTS

Question. Mr. Secretary, your budget proposes to create a new economic development grant program by consolidating five existing programs and increasing the total funding by $15 million to $55 million. The programs to be consolidated include: Rural Business Enterprise Grants; Rural Business Opportunity Grants; Rural Community Development Initiative Grants; Grants to Assist Minority Producers; and Rural Cooperative Development Grants.

These successful programs were designed to address different needs and to assist different constituents. For instance, the Rural Business Enterprise Grant program promotes the expansion of small and emerging rural businesses, while the Rural Cooperative Development Grant program supports centers for cooperative development.

Why are you proposing to combine these different programs?

Answer. The proposal to combine these programs is based on improving the efficiency of program delivery and making these programs more accessible to people in rural America. While these programs do address different needs and assist different constituencies, they all share a common objective of improving economic conditions in rural America. The consolidation of authorities under one umbrella will enable Rural Development to make awards based on economic development performance targets established to encourage rural private sector growth. Combining five programs into a single rural business and cooperative grant program will simplify the communication of program offerings and support a more streamlined application process. Lastly, the consolidation would provide greater flexibility to be more responsive to locally identified priorities. Regardless of the funding level, certain costs of administering a program are fixed and USDA must allocate resources accordingly. Consolidation into a single program will reduce the amount of resources needed for preparing programs and allow for greater attention to program delivery, administration and outreach.

Question. How will you ensure that the disparate needs that are now addressed will continue to be addressed in the future? For instance, will current constituents of the Rural Cooperative Development Grant program be disadvantaged in the competition for funds under the new program?

Answer. The new Rural Business and Cooperative grant program will continue to address the wide array of demands that the current array of business programs meets by being inclusive of the variety of applicants and the types of eligible projects. For example, the new program would continue to make grants available to public bodies, nonprofits, Native American tribes, cooperative development centers, and associations of cooperatives, among others. In addition, it would continue to fund technical assistance activities to promote the creation of jobs and the growth of rural business activity.

By structuring the new program using metric-based parameters, all applicants will be able to compete for funding on an equal footing. The new program would have a strong emphasis on performance targets and evaluation, and make them evidence based, which would improve the efficiency and effectiveness of agency grant making. Rural Development (RD) would establish minimum community and economic development performance targets and award grants based on the extent to which the applicant can demonstrate the ability of the proposed project to exceed those performance targets on a competitive basis.

Further, the broader consolidated program will benefit all constituents by leveraging more effectively the grants to provide greater assistance to rural communities and may be further beneficial to constituents by offering them access to project activities or purposes not currently covered in a program.

Question. Since this is a new program, isn't that an authorizing issue that should better be addressed in the farm bill?

Answer. In order to implement regulations for a combined grant program, RD would need to have statutory authority. USDA certainly hopes that such a combined program will be given serious consideration in future farm bill deliberations. In fact, the current Senate version of the farm bill includes a version of a combined grant program.

USDA has chosen to go forward with this proposal at this time in an attempt to address unprecedented budget concerns. We are seeking ways to ensure the Agency is making the most efficient use of human and financial resources to deliver outcomes that are sustainable and measurable in terms of performance. Until such a program is authorized in a future farm bill and until such time as a regulation is in effect for the new program, USDA seeks to implement this program as a demonstration or pilot program through a Notice of Funds Availability.

Question. In your justification you state that, "This account is also available to support the Promise Zones initiative." In searching the Department's Web site I can find no reference to the Promise Zones initiative. What is that initiative and why should scarce resources be diverted from existing successful programs for that purpose?

Answer. In the President's 2014 budget, the Promise Zones initiative is a White House/multi-agency initiative that will revitalize high-poverty communities across the country by attracting private investment, improving affordable housing, expanding educational opportunities, and providing tax incentives for hiring workers. Investing in the Promise Zones will reduce violence and assist local leaders in navigating Federal programs and cutting through red tape.

USDA has played an active role in a cross-agency working group that is designing the Promise Zones initiative. Promise Zones is an important piece of the President's Opportunity Ladder agenda. There will be Promise Zones in urban, rural, and tribal communities around the country. USDA has led the effort to design the Promise Zone initiative for rural and tribal communities. Regions will be designated in 2013, including at least one rural and/or tribal community.

At the present time, no funding resources are provided for this initiative. The intent is to collaborate and leverage existing resources from across the Government to support sustainable regional community development activities.

SEQUESTRATION

Question. Please describe, by mission area, how USDA has handled sequester reductions. Please include information on reductions to service contracts, Federal employees, and contract employees.

Answer. [Follows:]

Farm and Foreign Agricultural Services.—Curtail internal and external hiring, reduce overtime; offer Voluntary Early Retirement Authority (VERA) or Voluntary Separation Incentive Payments (VSIP); cancel or strictly limit monetary awards; rescope information technology (IT) contracts or delay them until a future fiscal year; rescope contracts for program and management support services or delay them until a future fiscal year; reduce employee training and travel; and renegotiate new grants or delay them until a future fiscal year. Additionally, FFAS used interchange authority under 7 U.S.C. section 2257 to transfer about $174 million from CCC Direct Payments to prevent disruptions in the following FSA and CCC programs: Dairy Indemnity, Milk Income Loss Contract, Non-Insured Assistance Payments, Non-Bill Emerson Humanitarian Trust Commodity Inventory Storage, Disaster Relief, Tobacco Trust Fund, and Marketing Assistance Loans.

Rural Development.—Curtail internal and external hiring; reduce overtime; offer Voluntary Early Retirement Authority (VERA) or Voluntary Separation Incentive Payments (VSIP); cancel or strictly limit monetary awards; rescope information technology (IT) contracts or delay them until a future fiscal year; rescope contracts for program and management support services or delay them until a future fiscal year; rescope contracts for hardware procurement or delay them until a future fiscal year; reduce employee training and travel; rescope major activities or events related to agency core functions, including the production, development and testing of new products, or delay until a future fiscal year; and cancel grants, planned maintenance, or major activities or events related to agency core functions. Additionally, RD used interchange authority under 7 U.S.C. section 2257 to transfer $8.3 million to the Salaries and Expenses account from the Bioenergy Program for Advanced Biofuels to fund on-board employees who provide critical services.

Food, Nutrition and Consumer Services.—Curtail internal and external hiring; reduce overtime; and reduce employee travel.

Natural Resources and Environment (NRE).—Curtail internal and external hiring; reduce overtime; cancel or strictly limit monetary awards; rescope information technology (IT) contracts or delay them until a future fiscal year; rescope contracts for facilities and building services or delay them until a future fiscal year; rescope contracts for program and management support services or delay them until a future fiscal year; rescope contracts for hardware procurement or delay them until a future fiscal year; reduce employee training and travel; rescope planned maintenance or repairs or delay until a future fiscal year; rescope major activities or events related to agency core functions, including the production, development and testing of new products, or delay until a future fiscal year; and cancel grants, planned maintenance, or major activities or events related to agency core functions. Additionally, NRE used interchange authority under 7 U.S.C. section 2257 to transfer $5.4 million in Natural Resources Conservation Service funding from the Farm and Ranch Lands Protection Program to the Conservation Security Program to avoid billing recipients for some of the payments already made.

Food Safety.—Curtail internal hiring; offer Voluntary Early Retirement Authority (VERA) or Voluntary Separation Incentive Payments (VSIP); cancel or strictly limit monetary awards; and reduce employee training and travel.

Research, Education, and Economics.—Curtail internal and external hiring; reduce overtime; offer Voluntary Early Retirement Authority (VERA) or Voluntary Separation Incentive Payments (VSIP); cancel or strictly limit monetary awards; rescope information technology (IT) contracts or delay them until a future fiscal year; rescope contracts for facilities and building services or delay them until a future fiscal year; rescope contracts for program and management support services or delay them until a future fiscal year; rescope contracts for hardware procurement or delay them until a future fiscal year; reduce employee training and travel; renegotiate new grants or delay them until a future fiscal year; rescope planned maintenance or repairs or delay until a future fiscal year; rescope major activities or events related to agency core functions, including the production, development and testing of new products, or delay until a future fiscal year; and cancel grants, planned maintenance, or major activities or events related to agency core functions.

Marketing and Regulatory Programs.—Curtail internal and external hiring; reduce overtime; offer Voluntary Early Retirement Authority (VERA) or Voluntary Separation Incentive Payments (VSIP); cancel or strictly limit monetary awards; rescope information technology (IT) contracts or delay them until a future fiscal year; rescope contracts for facilities and building services or delay them until a future fiscal year; reduce employee training and travel; renegotiate new grants or delay them until a future fiscal year; and rescope planned maintenance or repairs or delay until a future fiscal year.

Departmental Activities.—Curtail internal and external hiring; reduce overtime; offer Voluntary Early Retirement Authority (VERA) or Voluntary Separation Incentive Payments (VSIP); cancel or strictly limit monetary awards; rescope information technology (IT) contracts or delay them until a future fiscal year; rescope contracts for facilities and building services or delay them until a future fiscal year; rescope contracts for program and management support services or delay them until a future fiscal year; rescope contracts for hardware procurement or delay them until a future fiscal year; reduce employee training and travel; rescope planned maintenance or repairs or delay until a future fiscal year; rescope major activities or events related to agency core functions, including the production, development and testing of new products, or delay until a future fiscal year; and cancel grants, planned maintenance, or major activities or events related to agency core functions.

CENTRALIZED SERVICING CENTER

Question. I have been informed that a new procedure is being proposed in the Rural Development mission area for insurance claims above $30,000. My understanding is that certain claims that have traditionally been handled through the Centralized Servicing Center will now be handled in the field. Is this correct, and if so, what is the justification for this process change, how will the change affect staff in the Centralized Servicing Center and the field, and how will the change affect rural homeowners?

Answer. During a Management Control Review (MCR) of the Centralized Servicing Center (CSC), it was noted that major development, or rehabilitation-related construction, using insurance claim proceeds was not being completed according to Rural Development's Instruction 1924–A, "Planning and Performing Construction and Other Development". The MCR team noticed that management and documentation of "large loss" development was weak. This weakness may have been the result of a disconnect between tasks performed by the CSC and those assigned to field staff. In addition, current guidance on insurance proceeds administration lacks a clear definition of "major development". After extensive discussions with the MCR team and staff from CSC, it was determined that rehabilitation work using insurance claims proceeds exceeding $30,000 are considered major development and need to be closely supervised by the field office staff.

Rural Development (RD) proposes to revise existing guidance for administering insurance claims proceeds. For significant rehabilitation (having a total cost of more than $30,000) all development will be completed under the supervision of the local field office. The idea is to require the use of all construction documents and requirements/methods only when there is a considerable risk to the value of the Government security or the structural integrity of the house. On smaller claims, regulations permit the repairs to be completed in a fashion commensurate with risk to the Government, and will most likely be handled by CSC staff.

We believe that rural homeowners will benefit from this change. Insurance claims exceeding $30,000 are typically the result of a catastrophic event and field office staff have the construction management expertise needed to assist borrowers throughout the property rehabilitation process. The proposed new procedure allows field staff to work with borrowers early in the development process and ensures that work is completed in accordance with RD Instruction 1924–A, thus minimizing the risk of inadequate development work. By doing this, we protect the Government's security interest and ensure that after the work is completed, the borrower's home is decent, safe, and sanitary.

The new procedure is not expected to have an impact on either CSC or field office staff. Before recommending this change, RD asked a few States to provide information on the number of large insurance checks that have been processed in their States in recent years and to assess the field offices' capacity to manage insurance claims over $30,000. All the respondents indicated that these large insurance claims are very uncommon (estimated to be 6 percent of the total claims processed fiscal year 2012 at CSC) and field offices are deemed to have the capacity to take on management of insurance claims over $30,000 on an occasional basis. CSC staff will not be affected for the same reason; the number of large insurance claims is not significant enough to affect their workload. In fact, the revised guidance allows field staff to either establish a supervised bank account at the local level or forward insurance proceeds to CSC's escrow to manage construction funds. Even with the new proposed procedure, CSC staff may be asked to be involved in the administration of insurance claims for major development.

RURAL DEVELOPMENT AND FARM LOAN PROGRAM CONTRACTS

Question. Rural Development and the Farm Service Agency have contracted out significant work in support of the Rural Development and Farm Loan programs, including contracts to support loan processing activities and information technology development. Please provide information on these contacts, including the amount of the contract, how long they have been underway, and how long they are expected to continue. In addition, please explain why USDA has determined that contracting out this work is the best option for the agencies involved, including whether the Department has performed a cost-benefit analysis.

Answer. [Follows:]

RURAL DEVELOPMENT—FISCAL YEAR 2013 CONTRACTS

Centralized Servicing Center (CSC)

1. CBC Innovis—AG–31ME–C–12–1010:

—Contract amount: $35,000 for locator services.

—Period covered: 6–14–13 through 6–13–14.

—Why contracting is best option: The vendor provides a wide range of resources throughout the country which integrate and interact to obtain information on individuals. The Government has no similar organizational system or network of resources to perform this function at a similar cost for the relatively low volume of searches.

2. CMW & Associates—AG–31ME–D–10–0095:
—Contract amount: $2,797,658.83 for prepping, scanning, indexing, and filing.
—Period covered: 9–1–12 through 8–31–13.
—Why contracting is best option: CSC utilizes a support service contract to perform centralized services for other agencies utilizing and leveraging CSC's existing infrastructure to increase efficiencies and mitigate overall costs to USDA. Due to length and nature of service agreements, budgeting and fluctuating volumes, staff years are not a viable option at this time.
3. CMW & Associates—AG–31ME–D–12–0026:
—Contract amount: $1,254,327.50 for mortgage loan processing services, guaranteed loan appraiser/auditor assistance in reducing backlog of loan loss claims and servicing in the Guaranteed Loan Section (GLS); Single Family Housing-Direct Section; and Multi-Family Legal Liaison Support, which includes providing operational/program analytical skills on each legal action case.
—Period covered: 9–1–12 through 8–31–13.
—Why contracting is best option: to supplement existing staff during the current hiring freeze to process loss mitigation, property disposition plans and loss claims for the Single Family Housing Guaranteed Loan Program (SFH–GLP). These contractor employees are necessary to assist CSC in addressing a larger than expected volume of loss mitigation requests, property disposition plans, and loss claims resulting from the recent housing crisis and from the "robo-signing" practices from many of the larger guaranteed lenders. CSC continues to see a future need to supplement its existing guaranteed workforce with contractor personnel to assist with processing the larger than anticipated volume of guaranteed servicing actions and reduce the existing backlogs to bring inventory levels within established regulatory requirements.
4. Corelogic—AG–31ME–C–11–1011:
—Contract amount: $1,530,000 for tax services.
—Period covered: 9–30–12 through 9–29–13.
—Why contracting is best option: to support loans with escrow accounts for taxes and insurance. It is an industry standard for a tax service provider to be utilized for tax research and payments due to the asset protection provided by an efficient, automated procurement and payment process. The vendor also assumes liability in case of a loss due to properties sold in a tax sale.
5. Corelogic—AG–31ME–C–11–1010:
—Contract amount: $10,626,620 for property preservation services for centralized States.
—Period covered: 9–30–12 through 9–29–13.
—Why contracting is best option: Property maintenance and preservation services provide guarantees that the Government's interest is protected. For properties that are in foreclosure and have been abandoned and for properties that have been foreclosed upon and are part of the USDA RD Real Estate Owned (REO) inventory, we are required to protect and care for the physical condition of those properties (e.g., mowing grass, cleaning out trash, boarding up and securing and winterizing of pipes). Properties in about half the States are serviced by this contract and efficiencies are realized through a single point of contact and single vendor relationship for these services.
6. Fiserv—AG–31ME–C–10–0016:
—Contract amount: $3,319,499.40 for mortgage and loan program services. Task orders associated with this contract total $4.6 million and extend through 1–31–14.
—Period covered: 8–27–10 through 2–27–13.
—Why contracting is best option: It enables the Government to obtain services that are not available in house and a cost-benefit analysis was performed on the contract.
7. Pitney Bowes—AG–31ME–D–11–0016:
—Contract amount: $34,446 for postage mailing equipment to cover maintenance, repairs and software on an as needed basis; and provides bulk mailing services.
—Period covered: 5–1–13 through 4–30–14.
—Why contracting is best option: Pitney Bowes is a leading industry provider of mail equipment and services which could not be provided by RD personnel.
8. SunTrust—AG–31ME–C–13–1001:
—Contract amount: $492,826 for investment and disbursement services.
—Period covered: 10–11–12 through 10–10–17.
—Why contracting is best option: The contractor provides the expertise that CSC needs to ensure the custody, disbursement and preservation of principal while maximizing investment returns. CSC utilizes five bank accounts at the contractor for the receipt and disbursement of "escrow funds" (non-Government

funds) on behalf of single family housing borrowers; and a single custody account at the contractor for the accumulation of "net income" from the investing of borrower funds, which is net of all associated contract fees. No cost-benefit analysis was performed since RD is unable to supply the investment and banking services that were required under the contract while ensuring no co-mingling of borrower escrow funds with Government funds.

Procurement and Administrative Services

1. Central Paper Stock—AG–31ME–C–11–0051:
—Contract amount: $59,800 for destruction and disposal of sensitive documents.
—Period covered: 09–27–11 through 09–30–16.
—Why contracting is best option: Services are needed to remove recyclable materials and destroy sensitive materials that require shredding prior to disposal for security reasons. The contract covers warehousing services in addition to removal, destruction, shredding, and disposal services.
2. Challenge Unlimited—AG–31ME–C–10–0009:
—Contract amount: $306,036 for warehousing services of RD forms, supplies, equipment, and other items.
—Period covered: 09–01–10 through 10–1–15.
—Why contracting is best option: No Government employees perform warehousing services or distribute/ship products and items to employees nationwide.
3. First Choice—AG–31ME–C–12–0014:
—Contract amount: $84,854 for courier services.
—Period covered: 07–02–12 through 07–02–17.
—Why contracting is best option: No Government employees perform courier or courier-related services, including picking up and delivering checks from lockboxes.
4. MERS Goodwill—AG–31ME–C–09–0006:
—Contract amount: $420,291 for full-service mail operation and for construction and warehousing labor services.
—Period covered: 02–26–09 through 09–30–13.
—Why contracting is best option: No Government employees perform full-service mail operations; or furniture and cubicle construction, maintenance, and warehousing services.
5. Pitney Bowes—AG–31ME–D–11–0006:
—Contract amount: $59,800 for postage system and meter heads, which process daily USPS, Priority, Register, and Return Receipt Mail.
—Period covered: 02–28–11 through 02–28–15.
—Why contracting is best option: A contract for the system and equipment is more cost-effective than purchasing an updated system and equipment.

Deputy Chief Financial Officer (DCFO)

1. Solutions Data System—AG–31ME–P–08–0021:
—Contract amount: $14,486.85 for data conversion services for the 1st and 2nd quarters.
—Period covered: 4–17–13 through 5–16–13.
—Why contracting is best option: The contract was put in place so that Accounting Data (banking transactions) could be converted, transmitted electronically and in real-time. A cost-benefit analysis was performed that showed contracting out is more cost-effective than providing the services in house.

Deputy Chief Information Officer (DCIO)

1. QFLOW—AG–31ME–D–09–0026:
—Contract amount: $1,249,187.00 for imaging and document management.
—Period covered: 9–18–12 through 9–17–13.
—Why contracting is best option: A contract is needed to maintain licensing and obtain technical support for services to provide maintenance support and enhancement development to the Rural Development FileNet Imaging System and the USDA Enterprise Content Management System utilizing Oracle's Stellent document management. Additional certifications are required for services that are only available through contracting.
2. Rose International AG—31ME–C–12–0018:
—Contract amount: $1,587,026.00 for Oracle Hyperion and OBIEE services.
—Period covered: 9–29–12 through 9–28–13.
—Why contracting is best option: Support services are needed to administer the systems and the development of Hyperion and OBIEE reports. Although no formal cost-benefit analysis was completed, it is more cost-effective to obtain these services through contracting from a vendor who can provide well-trained and experienced personnel. Contracting out also provides additional flexibility for

large or multiple projects in a given time period where it is necessary to quickly expand or reduce the size of teams.

3. Rose International AG—31ME–C–09–0019:

—Contract amount: $3,179,924.28 for technical support services, which includes maintenance for the Automated Multi-family Accounting System (AMAS) at a cost of $618,688.44.

—Period covered: 8–31–12 through 7–31–13.

4. Unisys (CLP)—AG–31ME–C–10–0013:

—Contract purpose: maintaining and implementing upgrades/enhancements to the automated components that support the direct loan and grant and guaranteed loan programs. See task order (TO) amounts below.

—Period covered: 5–10–13 through 5–9–14.

—Why contracting is best option: Although no formal cost-benefit analysis was completed, contracting out enables RD to obtain services from a vendor who can provide well-trained and experienced personnel. It also provides additional flexibility for large or multiple projects in a given time period where it is necessary to quickly expand or reduce the size of teams.

—Associated Active TO AG–31ME–D–12–0036.

Contract amount: $291,843.47 for maintaining and implementing upgrades/enhancements to the automated components that support the direct loan and grant and guaranteed loan programs.

—Period covered: 9–28–12 through 9–27–13.

—Why contracting is best option: Although no formal cost-benefit analysis was completed, contracting out provides additional flexibility for large or multiple projects in a given time period where it is necessary to quickly expand or reduce the size of teams.

—Associated Active TOs, amount, customer and period covered:

—AG–31ME–D–10–0083—$219,715.79—Automated Multi-family Accounting System (AMAS)—9–13–10 to 3–31–13.

—AG–31ME–D–10–0098—$2,129,810.82—Date Warehouse (DW)—9–29–10 to 4–2–13.

—AG–31ME–C–11–0046—$3,057,973.90—OM/HD—9–26–12 to 9–25–13.

—AG–31ME–D–12–0005—$249,999.70—Community Program Application Processing (CPAP)—2–15–12 to 2–14–13.

—AG–31ME–D–12–0013—$5,429,258.82—Comprehensive Loan Program OM (CLP OM)—8–1–13 to 6–30–14.

—AG–31ME–D–12–0025—$1,797,930.15—E-Government (EGOV)—9–1–12 to 7–31–13.

—AG–31ME–D–12–0029—$249,935.40—Guaranteed Loan System (GLS) Loan Close—9–28–12 to 9–30–13.

—AG–31ME–D–12–0031—$63,943.10—RD Intranet—9–28–12 to 4–30–13.

—AG–31ME–D–12–0037—$399,844.69—Comprehensive Loan Program (CLP) Initiative—9–28–12 to 9–27–13.

—AG–31ME–D–12–0028—$59,977.81—CASH—9–28–12 to 3–31–13.

—AG–31ME–D–12–0040—$604,489.00—Rural Electric and Telephone (RET)—9–29–12 to 9–28–13.

—AG–31ME–D–12–0036—$291,843.47—Deputy Chief Financial Officer (DCFO)—9–28–12 to 9–27–13.

—AG–31ME–D–12–0032—$692,148.80—Broadband Collection Application System (BSAC)—5–1–13 to 9–30–13.

5. Unisys (GLS)—AG–31ME–C–09–0021:

—Contract amount: See below TOs totaling over $2 million for a support contract to develop the necessary user documentation to support the implementation of Phase 3 of the Guaranteed Single Family Housing Annual Fee Project.

—Period covered: 9–1–12 through 8–31–13.

—Why contracting is best option: Although no formal cost-benefit analysis was completed, contracting out provides additional flexibility for large or multiple projects in a given time period where it is necessary to quickly expand or reduce the size of teams.

—Active TOs, amount and period covered:

—AG–31ME–C–11–0014: $1,189,765.64. Period covered 9–30–12 through 7–31–13.

—AG–31ME–D–10–0085: $845,540.50. Period covered 9–13–10 through 6–30–13.

FARM SERVICE AGENCY—FISCAL YEAR 2013 CONTRACTS

1. Program Loan Accounting System (PLAS)—AG–3151–C–11–0019 Bluemont Technologies, Inc.

—Contract amount: $4,711,162.35 to maintain the expiring legacy system until it is re-engineered to a Web-based system.

—Period covered: A 5-year contract was awarded for 07–01–11 through 09–30–15.

—Why contracting is best option: contracted maintenance of the expiring system is needed because:

—Government PLAS legacy knowledge has been lost to attrition;

—It is not cost-effective or beneficial to the future of FSA's programs to recruit and train Government employees on old technology and platforms; and

—Government resources can be dedicated to supporting newly developed Web-based systems and inherently Government functions.

—FSA has complied with the FAR 39.102 requirement to analyze risks, benefits and cost in its USDA and OMB information technology submissions. FSA performs continuous collection and evaluation of risk-based assessment data through monthly review of invoices (hours used and funding burn rate) and comparison of scheduled milestones in the project schedule to determine cost, schedule, variances and risk. Post implementation reviews are conducted to determine actual project cost, benefits and returns. The quantifiable measures are captured and analyzed on a monthly basis and an associated risk is deduced from the analysis.

Appraisals

2. AgWare—AG–3151–C–10–0009:

—Contract amount: $543,780.00 for a complete commercially available off-the-shelf appraisal PC-based software system that encompasses the features and data required to complete both an Agricultural Real Estate Appraisal and a Housing Appraisal. It is a complete package that can be used even when network connectivity is not available (i.e., remote areas). It creates reports and performs third-party mapping, sketching, deed plotting, scanning, image file importing and integrating with Arc GIS software.

—Period covered: A 5-year contract for 05–25–10 through 05–24–14.

—Why contracting is best option: it provides functions not performed by Government employees.

3. Marshall & Swift/Boeckh (MSB)—AG–3151–C–12–0031:

—Contract amount: $622,400.00 for commercial off-the-shelf (COTS) software that is a Web-based hosted application which provides quarterly updates and unlimited use of free technical support services available via an annual subscription. The cost estimators are used as support and documentation of cost of improvements in the appraisal process.

—Period covered: A firm fixed-price 5-year contract was awarded for the period 09–25–12 through 09–24–17.

—Why contracting is best option: This contract provides functions not performed by Government employees. MSB provides National Residential, Commercial, and Agricultural Estimating Software and Support.

4. Farm Business Plan (FBP)—AG–3151–C–11–0029—WebEquity Solutions, LLC:

—Contract amount: $10,885,250.00 for a commercial off-the-shelf (COTS) farm business planning and financial/credit analysis Web-based software package.

—Period covered: A firm fixed-price 5-year contract was awarded for the period 09–30–11 through 09–29–16.

—Why contracting is best option: This contract provides functions not performed by Government employees.

5. Farm Loan Program Information Delivery System (FLPIDS)—AG–3151–C–12–0032:

—Contract amount: $25,564,663.16 for Information Technology Services.

—Period covered: A 5-year contract was awarded on 09–26–12 through 09–25–17.

—Why contracting is best option: The Government does not have the current capability or expertise to perform the type of service provided by FLPIDS. Inherently governmental functions are not applicable to this solicitation pursuant to FAR subpart 7.5.

—FSA has complied with the FAR 39.102 requirement to analyze risks, benefits and cost concerning FLPIDS in its USDA and OMB information technology submissions. Lifecycle cost—There have been prior investments in pre-existing 2004 FLPIDS, GS–06F–05 5OZ, AG–3151–D–09–0156, AG–3151–D–10–0137 and AG–3151–C–11–0028 which will be added to by current FLPIDS procurement.

2. Rural Development Reimbursable Agreements:
—Farm Service agency has reimbursable agreements for Rural Development to use the:
  —Guaranteed Loan System; and
  —Program Funds Control System.

QUESTIONS SUBMITTED BY SENATOR TOM UDALL

RURAL DEVELOPMENT

Question. Secretary Vilsack, in New Mexico, the Rural Development office is down to 39 employees, 6 months ago the New Mexico office had 44 employees, and in 2011 the office had 53 employees. This decline in employees is resulting in programs being shut down as the 2-year hiring freeze continues. I understand that these are difficult times, and that the sequestration is making budgets even tighter. My concern, however, is about the disparity between the number of employees in western States compared to those east, and whether or not the resources we do have are reaching the rural and poor communities that they are intended for.

According to your staff, in May 2012 about 12 States had over 100 Rural Development employees, while States like Nevada, Alaska, Colorado, Utah, Wyoming, and New Mexico had well under 50. These are some of our country's most rural States.

According to the most recent data published by USDA, New Mexico has the second highest poverty rate in the United States for both adults and children. New Mexico's rate of poverty is roughly 30 percent higher than the national average. New Mexico is also one of the most rural States. If there is a region that needs the resources that Rural Development provides, it is New Mexico.

Could you help the subcommittee understand how this disparity in Rural Development efforts has come to be, and what the agency is doing or can do to ensure a more equitable distribution of resources?

Answer. When faced with sequestration of funds, Rural Development (RD) considered several options when looking for ways to meet the funding levels. One of those options was offering RD employees early retirement and not filling many positions. As a result of these retirements and the freeze on hiring, Rural Development lost approximately 18 percent of its workforce. Unfortunately, these losses were not equally divided by program or geography. We recognize that many States are struggling to provide services and are looking at ways to correct these inequities.

In the last year, RD has also reexamined its FTE allocation formula and adjusted it to provide greater weight to States with deeper poverty. We continue to examine this formula.

Question. What kind of impact does a declining staff have on the distribution of grants and loans in a State like New Mexico?

Answer. Loss of staff slows down the processing time for loans and delays the distribution of grant funds.

Question. I am concerned about whether or not Rural Development resources are reaching the rural and poor communities that they are intended for. In New Mexico there are many very small and very rural communities that have a hard time accessing grants and loans through Rural Development because they do not have the personnel and even infrastructure, like Internet service, to successfully apply for and manage grants and loans.

Could you share with the subcommittee how the President's budget would ensure that Rural Development funds in fiscal year 2014 make it to the small and very rural communities who need it most?

Answer. Rural Development is working closely with the USDA Office of Advocacy and Outreach to make sure that the citizens and communities who need assistance the most are aware of what our programs can do and how to apply. Also, in 2010, the Department implemented the "StrikeForce Initiative" to increase participation in USDA programs in high poverty counties. Many of the RD programs provide additional points to the smaller communities competing for funding.

Question. What kind of technical assistance is available for communities who may not have a full time employee to write a grant application or manage a loan?

Answer. Most Rural Development programs are administered through our State and Area Offices, and the majority of direct support and assistance in preparing a grant application will come from these offices. However, while RD staff can provide support and guidance in developing an application, they do not participate in the actual writing of the grant or loan proposal.

Through existing programs, Rural Development supports a number of University and nonprofit organizations who provide direct technical assistance to prospective program applicants through programs such as the Rural Business Enterprise Grant, Rural Business Opportunity Grant, and Rural Cooperative Development Grant programs. Through a variety of methods (i.e., business incubators, cooperative development centers), recipients of funding from these programs have delivered technical assistance and other services to individuals and communities seeking to apply for RD programs.

Further, several existing programs contain components that can provide application development assistance. For example, the Agricultural Marketing Resource Center (AgMRC) which is funded out of the Value Added Producer Grant (VAPG) program is a free, virtual resource for producers looking to get into a value added agricultural business. The AgMRC Web site provides an array of resources, including business planning tools, budget templates, and marketing plans that can be used to address requirements in a grant application.

STRIKEFORCE PROGRAM

Question. Secretary Vilsack, it is my understanding that your StrikeForce Program is targeting USDA assistance to communities in New Mexico.

Could you share with the subcommittee how this program is helping communities in New Mexico, and what kind of results you are seeing from the program in New Mexico?

Answer. The New Mexico Farm Services Agency (FSA), Natural Resources Conservation Service (NRCS), and Rural Development (RD) agencies continue to improve and widen USDA outreach efforts.

Since being identified as a StrikeForce State, the RD staff has worked to expand and establish new partnerships with various organizations to help provide greater use of Rural Development's (RD) resources. Partnership examples include the YWCA in Sunland Park and the Southwestern Regional Housing and Community Development Corporation (SRHCDC), another nonprofit organization based in Deming, New Mexico. The YWCA is helping individuals and families with homebuyer education classes and counseling designed to help the borrower be more successful as a homebuyer and homeowner. The Southwestern Regional Housing and Community Development Corporation (SRHCDC) another nonprofit organization based in Deming has stepped up its relationship with USDA Rural Development since Luna County was designated a StrikeForce county. The organization has become a major partner with Rural Development in single family housing, multifamily housing, and business programs. USDA's partnership with SRHCDC has increased the delivery of USDA loans to these border communities.

FSA partnered with NRCS to assist groups of producers, who irrigate from traditional Acequias, to submit applications for the Environmental Quality Incentives Program (EQIP). Multiple workshops have been held around the State to educate these producers about the EQIP program and the application process. This collaboration gives producers the benefit of learning more about EQIP while also learning FSA's eligibility process regarding farm records, Adjusted Gross Income provisions, and other FSA programs. The first of its kind NRCS Acequia EQIP contract was approved in July 2013. The Acequia Initiative, along with many others, are StrikeForce projects that provide direct additional resources to better serve our farmers, ranchers, and producers in persistently poor rural communities. The focus is on these identified high-poverty areas to help improve the quality of life of farmers, ranchers, producers, and their communities.

NRCS hosts its fourth Conservation Planning Initiative (CPI) workshop—this time in Los Lunas in October 2013. The target groups include women, Hispanic, and Native American small agricultural producers. Participants are thoroughly immersed in the process of developing and the significance of having a viable Conservation Plan. These CPI workshops have been well received in Las Cruces, Carrizozo, and Chama communities. NRCS New Mexico is also restructuring itself to make more of its specialists available to agricultural producers across New Mexico—particularly in StrikeForce recognized areas. This leads to more customized service for those who need it most.

As of mid-June, New Mexico FSA Farm Loan Programs expects to approve more than $24 million through nearly 190 loans in fiscal year 2013. Approximately 75 percent of those will be Direct Loans totaling over $11.6 million. Nine are currently waiting on funding of about $865,000; nearly one in five Direct Loans will be Micro Loans totaling nearly $711,000; and 40 loans are currently waiting on $55,200 in funding. The total loans projected for approval through June 2013 also include 36 Guaranteed Loans totaling $12.6 million.

ALFALFA AND FORAGE RESEARCH

Question. Secretary Vilsack, In the last Congress, I joined with several of my Senate colleagues in urging Appropriations Committee to include funding for the Alfalfa and Forage Research Program in the fiscal year 2013 agriculture appropriations bill. It is my understanding that language expressing the Committee's support for such research was included in the fiscal year 2013 continuing resolution, but that to-date, no funds have been allocated for the Alfalfa and Forage Research Program.

Does the USDA plan to allocate funds for the Alfalfa and Forage Research Program in fiscal year 2013 as recommended by the Committee?

Answer. USDA is allocating funds for alfalfa research in ARS and NIFA. ARS scientists are conducting alfalfa genetic improvement and marker selection research for biotic and abiotic stresses to build a genetic pipeline to help accelerate the development of superior performing plants. The ARS Plant Germplasm Introduction and Testing Research Station expands the genetic diversity in the U.S. alfalfa germplasm collection, improves availability of information about alfalfa genetic resources, and distributes pathogen-tested samples.

For fiscal year 2013 and fiscal year 2014, ARS has developed a coordinated national research plan to increase the impact of agency alfalfa research and to build effective linkages with university and industry partners. The coordinated plan addresses three broad areas of research that provide value to the alfalfa, forage, and dairy industries including, but not limited to the following: (1) germplasm improvement (yield, biotic and abiotic stress, marker assisted selection); (2) management for animal nutrient intake and for revenue lines; and (3) ecosystem services (rotational effect, soil health [N, P, K microbes], and carbon sequestration).

Funding for ARS research activity related to alfalfa is as follows: $3,367,000 in fiscal year 2009; $4,124,000 in fiscal year 2010; $3,768,000 in fiscal year 2011; $4,322,000 in fiscal year 2012; $4,322,000 estimated in fiscal year 2013; and $4,516,000 estimated in fiscal year 2014.

In NIFA, a specific program directed at alfalfa was not implemented in fiscal year 2013, but report language will be considered when drafting fiscal year 2014 RFAs. For example, work on alfalfa and forages will be explicitly included, where appropriate, in fiscal year 2014 RFAs for the Agriculture and Food Research Initiative (AFRI). Alternative capacity funding (from Hatch Act, McIntire-Stennis, and/or Smith-Lever 3(b) and (c)) may be used to support aspects of this topic area deemed to be of priority at State and/or local levels. The active AFRI, Hatch, and Biotechnology Risk Assessment program projects include, but are not limited to, alfalfa topics such as: understanding of and mitigation strategies for co-existence/gene flow in alfalfa; improving alfalfa quality and production as a biofuel feedstock; enhancement of alfalfa forage quality for animal feed by alfalfa breeding and genetic improvements; developing tolerance to changing climatic conditions and biotic diseases in alfalfa production by breeding and genetic enhancement technologies; and understanding interactions of symbiotic bacteria with their alfalfa host in fixing nitrogen from the soil. Other programs have also included alfalfa in multi-crop studies.

Funding in support of NIFA research on alfalfa is as follows: $2,425,000 in fiscal year 2009; $2,025,000 in fiscal year 2010; $1,264,000 in fiscal year 2011; and $1,264,000 estimated in fiscal year 2012.

WILDLIFE SERVICES

Question. Secretary Vilsack, it is my understanding that the President's budget includes an increase in Wildlife Services funding to bring the fiscal year 2014 total up to $104 million. The work that Wildlife Services does in New Mexico is very important for producers, especially at this time when feral hogs continue to spread into the State and threaten landscapes and animals.

How will the funding proposed by the President in fiscal year 2014 help to deal with the impacts of feral hogs across the country?

Answer. The President's budget includes $20 million to implement a national strategic plan to conduct integrated feral swine removal, to reduce property damage, and reduce threats to agriculture and urban areas. USDA will work with Federal, State, and local entities to carry out this control program in the 38 States where feral swine are located. The program will focus control efforts on reducing populations and excluding feral swine from agricultural resources in States where feral swine are well established. In States where feral swine are emerging or populations are low, the program will focus on eliminating animals. The requested funds will also enable USDA to develop new and improved control tools; conduct economic analysis and risk modeling and develop outreach materials and activities.

USDA will also conduct disease monitoring and diagnostic testing for diseases that may pose risk to domestic livestock or human health. As feral swine quickly establish themselves throughout the Nation, they carry numerous endemic diseases that could be transmissible to humans, domestic livestock, or other wildlife species. The requested funds allow for the early detection of diseases in feral swine. Currently, risk analysis and mitigation is based on opportunistic sampling of feral swine collected near farms. USDA will conduct target sampling to improve the understanding or risks and to develop mitigation measures for reducing disease threats that feral swine pose.

Question. Will the $104 million requested by the President allow USDA to meet the demand for assistance from Wildlife Services?

Answer. USDA cooperates with Federal, State, and local agencies and public stakeholders on all Wildlife Services programs. To carry out these programs, APHIS uses a variable cost-share formula based on the core mission, strategic and program priorities, whether the activity substantially enhances the program's efficiency, whether it is appropriate for the cooperator to contribute more under a particular agreement, and the cooperator's ability to pay toward the program. As a result, cost-share varies by State, cooperator, and project. In fiscal year 2014, USDA is seeking higher contributions from cooperators who pay less than the amount the Federal Government pays. Although USDA attempts to respond to all requests for assistance to the greatest extent possible, some program needs cannot be met without an increased cooperator contribution.

NATIONAL SCHOOL LUNCH PROGRAM

Question. Secretary Vilsack, you were asked by members of this subcommittee about the temporary change in rule the USDA made to allow no limits on weekly grain and protein for school lunches, while keeping calorie limits in place. It is my understanding that this temporary change has been very well received by schools and school nutritionists. You also mentioned the possibility of making this rule change permanent.

Is this change in school lunch protein requirements something you are considering making permanent?

Answer. The current flexibility on portion sizes for grains and proteins lasts through the end of school year 2013–2014. USDA has no intention of discontinuing that flexibility. The Department is committed to making the current flexibility permanent by the end of the calendar year 2013.

Question. Does the USDA have the authority to make such a change permanent?

Answer. Yes, USDA set the limits and has the authority to make such a change permanent through regulation. One of our top regulatory priorities is to complete the regulation that will make the grains and meats/meat alternates flexibility permanent in calendar year 2013.

Question. Since 1946, when the act was first signed by President Truman, until last year, the Federal Government deferred to the local school food authority and school board to set the price of a "paid" meal. This was changed in the last child nutrition reauthorization in an effort to drive more non-Federal money into the program. However, I have heard concerns that not all communities can afford the newly set prices for school lunches, and that paid participation has declined in some schools due to the price increase.

Could you share with the subcommittee what kind of response you have been receiving from schools and parents about prices set for "paid" school meals?

Answer. USDA received only 96 comments on the interim rule published on June 17, 2011, implementing the increase to paid lunches. About half of these comments came from school districts. Of the school districts that did comment, many of them stated that school lunch prices should be set at the local level citing local economic circumstances as a main contributor to setting paid lunch prices.

A few comments suggested that we allow a la carte sales as a non-Federal source of revenue to support paid meals.

In response to comments on the interim rule, on April 17, 2013, FNS issued new flexibilities school districts may use when implementing the Paid Lunch Equity requirement for school year 2013–2014. For school year 2013–2014, FNS expanded the definition of a non-Federal source school districts can use in lieu of raising paid lunch prices to include State or local funds for any paid meal including breakfast or snacks. Additionally, State agencies, upon request by a district, may exempt the district from the requirement to increase prices or add funding to the school food service account if the school district can demonstrate that it already has sufficient revenue to operate a meal program that meets or exceeds all the nutritional and administrative requirements of the program.

Outside of the formal rule comment process, USDA has received positive feedback from school districts wanting to raise their paid lunch prices as a way to increase revenue but have not been allowed by their school boards. While some districts are concerned about losing participation, they understand increasing revenues from paid lunches is a way to improve the financial standing of their foodservice account and improve the overall quality of meals.

Question. Have you seen any decline in paid participation due to increases in meal prices?

Answer. Based on the additional flexibilities offered and feedback received from districts thus far, if there is any impact on participation, USDA would expect it to be minimal. Because multiple changes have been occurring simultaneously in school meals, it is not feasible to determine, at this time, the precise relationship between this particular policy and participation in the program. USDA will continue to collect data on program participation and work with States to monitor participation.

QUESTIONS SUBMITTED BY SENATOR SUSAN M. COLLINS

AGRICULTURAL MANAGEMENT ASSISTANCE

Question. Mr. Secretary, potato production is an important component of Maine's economy. Maine is eighth in the Nation in potato production and fifth in acres harvested. Drought is a significant concern to our potato farmers, and many struggled with drought conditions in 2012. Farmers without the ability to irrigate experienced dramatically reduced yields and smaller potatoes. The Agricultural Management Assistance (AMA) program administered by NRCS provides management and technical assistance to farmers by incorporating conservation into their water management, water quality, and erosion control operations. In Maine, AMA and EQIP funds have been extremely helpful to Maine potato farmers. EQIP funds, however, can only be used on land that is already being irrigated. AMA funds can be used on new projects and to increase the number of farmers who are irrigating. Maine is one of the 16 States for which AMA is available (where participation in the Federal Crop Insurance Program is historically low). Additional AMA funds for potato farmers in Maine could be extremely consequential in assisting farmers who do not currently have the ability to irrigate. Mr. Secretary, can additional AMA funds be made available to Maine potato farmers?

Answer. The Food, Conservation and Energy Act of 2008 (section 2801(b)(ii)) authorized $15 million in Agricultural Management Assistance (AMA) funding for fiscal years 2008–2012, and requires that not less than 50 percent of that funding be provided to NRCS. Section 716(a) of the Consolidated and Further Continuing Appropriations Act, 2012 (Public Law 112–55) reauthorized the funding through fiscal year 2014. However, a $5 million savings proposed in fiscal year 2014 would reduce the total authorized level to $10 million and NRCS's portion to $2.5 million, since the entire savings is applied to the NRCS portion of the authorized funding.

We recognize that this program has been of significant value to Maine's producers and the demand for AMA funding in Maine reflects that value. In fiscal year 2011 Maine received $2.13 million of AMA financial assistance (36 percent of the total available); $279,000 (14 percent of total) in fiscal year 2012; and $391,000 (20 percent of total) in fiscal year 2013. Due to high demand in Maine compared to other AMA States, Maine has been able to obligate additional funds that were originally allocated to other AMA States but were returned before the end of the fiscal year. We will continue to support funding AMA for Maine and other States with new and existing AMA projects.

FEDERAL MILK MARKETING ORDERS—DAIRY PRICE REFORM

Question. Secretary Vilsack, I remain very concerned about milk pricing and have joined with Senator Kirsten Gillibrand of New York to introduce the Dairy Price Reform Act of 2013. Dairy farmers in Maine are under severe financial stress due to a number of factors beyond their control, including high energy prices, escalating feed prices, and the wildly fluctuating price paid for their milk. This legislation would require USDA to initiate hearings about restructuring the milk pricing system and directs the Secretary of Agriculture to release recommendations to Congress. The legislation also enables you to dispense with the pre-hearing requirements in the bill and to initiate a formal hearing at any time. Mr. Secretary, could you please provide us with your views on Federal milk marketing orders and also give us your opinion on the possibility of accomplishing dairy price reform in a realistic timeframe?

Answer. Federal milk marketing orders are not designed to be a price or income support program. They are voluntary marketing tools requested by producers or their cooperatives for specific geographic areas in the country. Our 10 marketing areas cover about 65 percent of the milk produced in the United States. Marketing orders help facilitate the efficient marketing of milk and dairy products by maintaining a balance in negotiating power between dairy farmers and milk processors. Federal milk marketing orders enforce market-based minimum payments to farmers, monitor the accuracy of milk weights and tests, and provide extensive equal access market information to all segments of the industry to support marketing decisions.

A formal hearing process is used to establish and make amendments to Federal milk marketing orders. In the 2008 farm bill, Congress provided timeframes for making amendments to orders. We have adopted supplemental rules and held three hearings under these rules that have each met or exceeded the timeframe deadlines. I believe the current timeframes provide a realistic benchmark for making changes. However, we need to keep in mind that major changes, such as a sweeping modification to how we establish minimum prices under Federal milk marketing orders needs sufficient time for careful and thoughtful contemplation of impacts. The timeframes of the Dairy Reform Act of 2013 (S. 670) and as outlined in section 1462 of S. 954, Agriculture Reform, Food, and Jobs Act of 2013 should provide USDA with adequate timeframes for accomplishing dairy price reform.

POULTRY SLAUGHTER MODERNIZATION

Question. Mr. Secretary, a front page article in the Washington Post on April 25, 2013, detailed questions and concerns surrounding the increased use of possibly toxic, bacteria-killing chemicals in poultry processing plants. As the Department of Agriculture is poised to implement new rules that would modernize the poultry inspection slaughter system, including increasing line speeds, I am concerned about the impact of these new rules not only on worker safety, but on public health. With the number of chemical treatments to disinfect poultry carcasses likely to increase at processing plants, what steps will your Department be taking to assure that worker health concerns are adequately addressed? In addition, how can your Department be sure that increased line speeds and reductions in the numbers of online inspectors will result in a higher level of food safety?

Answer. The modernization plan will protect public health, improve the efficiency of poultry inspections in the United States, and reduce spending. The new inspection system will reduce the risk of foodborne illness by focusing FSIS inspection activities on those tasks that advance our core mission of food safety. By revising current procedures and removing outdated regulatory requirements that do not help combat foodborne illness, the result will be a more efficient and effective use of taxpayer dollars.

Regarding the effects this rule will have on chemical usage in plants, generally plants determine how they meet FSIS standards. They have many tools at their disposal to choose from—antimicrobial interventions used at appropriate levels are one. FSIS has examined HACCP-based Inspection Model Program (HIMP) and non-HIMP plants' usage of antimicrobials. The majority of plants were found to have chosen to use chemical/antimicrobial steps to help meet FSIS' targeted salmonella/campylobacter reductions, with no particular pattern whether the plant is HIMP or non-HIMP.

In the course of the development of this rule, the issue of worker safety in poultry plants has been raised. The data that we have to date does not show any link between this new type of inspection system and increased risk for poultry industry employees or for our own inspection personnel. While we as a food safety agency do not have the ability or expertise to regulate worker safety, we have been working closely with the Occupational Safety and Health Administration and the National Institute for Occupational Safety and Health on important efforts to strengthen the Federal Government's data collection and enforcement activities in this area.

FSIS put forward this modernization proposal because the Agency's risk assessment demonstrates that the system it embodies will prevent foodborne illnesses—approximately 5,000 per year. It will prevent illnesses by making common sense, scientifically verified changes in the way inspection personnel do their work in plants.

QUESTIONS SUBMITTED BY SENATOR JERRY MORAN

IMPLEMENTATION OF NEW SCHOOL MEAL PATTERN REGULATIONS

Question. Schools across Kansas have been working hard to implement the new regulations for lunches served at school. While schools and students are still adjusting to the new lunch regulations, another change is scheduled to take effect at the beginning of the 2013 school year when the new breakfast regulations go into effect. What outreach has USDA done to make sure the type of problems we saw with the implementation of the lunch regulations do not also occur next fall when schools are required to change the breakfasts they serve? Furthermore, has USDA consulted with school nutrition professionals to determine if they are ready to make the breakfast changes this fall?

Answer. While the majority of updates to the school lunch program occurred in school year 2012–2013, the changes to breakfast are being phased in over multiple years. In this coming year the only changes schools will need to make are increased whole grains and new weekly calorie ranges. Increased fruit offerings will become effective in school year 2014–2015. The first sodium limits will be implemented in school year 2014–2015 and the final targets will be reached in school year 2022–2023. This phased-in approach will allow both industry and food service operators ample time to create appealing food items and menus that students will accept. Additionally, the breakfast meal pattern readily provides operators with much menu planning flexibility. For instance, while neither meats/meat alternates nor vegetables are required at breakfast, operators may choose to offer these foods and credit them in the reimbursable meal.

In addition to existing technical resources available on the USDA Web site, as the start of the school year approaches, we will offer Webinars and social media activities and provide further information on what's new for school breakfast in 2013–2014. The agency is also working on an update to its breakfast toolkit resources, which empower program operators with information about starting or expanding school breakfast service, evaluating costs and serving methods, and marketing the program to key stakeholders. The toolkit also assists operators with implementation of the upcoming changes by providing sample menus and suggestions for offering healthy and appealing meals in compliance with the new meal pattern. Additionally, USDA has partnered with the President's Council on Fitness, Sports, and Nutrition to produce promotional materials, including posters and public service announcements, on breakfast. These materials promote the importance of eating a healthy breakfast for all students and are intended to maintain or increase participation in the SBP.

USDA has consulted with school nutrition professionals through various formal and informal channels including national conferences, State agency trainings, and phone and email inquiries. USDA will continue to provide technical assistance and outreach to schools and program partners and anticipates that the phased-in implementation timeline and numerous flexibilities built into the breakfast meal pattern will result in successful implementation of breakfast in most schools this coming year.

QUESTIONS SUBMITTED TO HON. PHYLLIS K. FONG

QUESTIONS SUBMITTED BY SENATOR TOM UDALL

Question. Inspector General Fong, I would first like to applaud you for the efforts you and your team have taken to ensure that the USDA is running in the most ethical and efficient way possible. From your testimony, I understand that the work you are doing results in huge amounts of money for the USDA to use in areas that are effective. I understand your financial impact in 2012 was around $1.5 billion.

I understand that much of your work focuses on combating fraud within the SNAP program. This is a very important and often discussed effort.

Could you give the subcommittee your view of how the SNAP program is doing in terms of insuring that taxpayer dollars are being well spent?

Answer. By far the largest program within the U.S. Department of Agriculture (USDA), the Supplemental Nutrition Assistance Program (SNAP) provides monthly food assistance and nutrition for the health and well-being of more than 47 million low-income individuals. Due to the economic downturn, program participation has grown by 80 percent since fiscal year 2007 and over $74.5 billion in benefits was disbursed in fiscal year 2012. Given the program's significance, fraud committed by both SNAP recipients and the retailers that redeem SNAP benefits is a critical concern. With increased participation comes increased risk, and past audit work has found that the Food and Nutrition Service (FNS) needs to redouble its efforts to enforce its policies against such fraud as trafficking,[1] and to establish strong internal controls to prevent it.

[1] Trafficking is the exchange of benefits for cash or other compensation.

Recognizing this challenge, FNS has taken measures in recent years to strengthen its oversight of SNAP in three key areas: (1) reducing improper payments and errors; (2) combating the abuse and misuse of benefits; and (3) better pursuing recipient fraud. While FNS has made progress, further efforts are needed to fully utilize available resources and to ensure taxpayer dollars are well spent.

Since September 2012, OIG has issued four national audit reports [2] that help define how well SNAP is doing to ensure taxpayer dollars are spent well. We found that FNS needs to better detect and prevent recipient fraud. FNS has agreed to specify a set of tools that States can use for fraud detection, and create associated guidelines for their consistent usage. For example, manual transaction reports are used to identify all activity where retailers manually enter SNAP recipients' EBT card numbers into point-of-sale (POS) terminals. Manual transaction reports are used to detect potentially fraudulent activities between a retailer and recipient where large numbers of manual entries are processed by the retailer. FNS also agreed to assess the feasibility of: (1) creating a uniform method for States to report recipient fraud and (2) conducting a nationwide random sample of SNAP retailers.

We also found that the potential for overlap and duplication exists among FNS' 15 nutrition programs, and determined that FNS may be duplicating its efforts by providing participants total benefits in excess of 100 percent of daily nutritional needs when households and/or individuals participate in more than one FNS program simultaneously. FNS has agreed to determine and document the requirements for conducting a study to identify and determine the extent to which overlap and duplication may exist in FNS' nutritional assistance programs. FNS also agreed to determine whether they have the resources necessary to conduct the assessment of the potential overlap of its nutrition programs, or whether additional funding will be necessary to complete the assessment.

Our recent reviews have also highlighted concerns with how States use and account for the administrative funding provided by the Recovery Act to oversee SNAP. For example, for the Recovery Act, an unprecedented level of transparency, oversight, and accountability was required. Recovery Act funds were to be distributed timely and reported separately from funding provided through routine annual appropriations. We found that FNS made Recovery Act administrative funds available for States to use on a timely basis; however, FNS did not provide adequate accounting guidance, coordination, and oversight to ensure States fully complied with transparency and accountability requirements. Accordingly, we are working with FNS to recover $470,272 that was spent on unallowable costs.

We have also recently reported on FNS' controls for authorizing, reauthorizing, and disqualifying retailers that participate in SNAP. FNS does not have clear procedures and guidance to carry out key oversight and enforcement activities to address SNAP retailer fraud, or adequate authority to prevent multiple instances of retailer fraud. We recommended that FNS comprehensively review its policies and procedures, seek legislative change to retain a portion of retailer penalties, require background checks for retailers, strengthen internal guidance, improve its automated retailer data system, create and strengthen safeguards for high-risk stores, and require more supervisory reviews. We identified nearly $71 million in questioned costs and $6.7 million in funds to be put to better use. FNS agreed with 12 of the report's 20 recommendations. We are continuing to work with the agency to resolve the remaining eight recommendations.

As OIG's audit work moves into fiscal year 2014, we will continue to provide oversight of FNS administration of SNAP. For example, we are currently conducting an audit on the accuracy of the SNAP quality control error rate. For this review, our objective is to determine whether FNS and the State agencies responsible for administering SNAP have adequate controls in place to ensure that SNAP payment error rates are accurately determined and reported, the appropriate actions are taken to reduce the error rates, and errors are timely corrected when detected. We also plan an audit of FNS' implementation of penalties against SNAP retailers. Our planned objective is to evaluate FNS' controls over civil money penalties assessed against SNAP retailers, including oversight of the penalty assessment and collection process. We also plan to determine whether FNS correctly calculated penalties, and whether they follow through to ensure penalties are collected once imposed.

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[2] Analysis of FNS' SNAP Fraud Prevention and Detection Efforts (27002–0011–13, September 2012—this report also consolidates the results of audits performed in 10 States); Overlap and Duplication in Food and Nutrition Service's Nutrition Programs (27001–0001–10, June 2013); Recovery Act Impacts on Supplemental Nutrition Assistance Program Phase II (27703–0001–22, June 2013); and FNS: Controls for Authorizing Supplemental Nutrition Assistance Program Retailers (27601–0001–31, July 2013).

OIG's Office of Investigations collaborates on a regular basis with FNS to address SNAP fraud. For example, as a result of recent discussions, OIG and FNS are coordinating resources on a SNAP initiative aimed at partnering with Federal, State, and local law enforcement and non-law enforcement agencies in three States to combat SNAP fraud. The initiative will focus on ensuring that SNAP benefits are being used for their intended purpose.

Question. How does the SNAP program compare with other programs over which you have oversight?

Answer. When compared to other USDA programs, SNAP has the largest dollar value of improper payments. USDA reported in fiscal year 2012 that in fiscal year 2011, 16 of its programs were vulnerable to significant improper payments ("high risk" programs) and estimated $5.5 billion in improper payments for that year—a 5.11 percent error rate.[3] SNAP, with outlays of $71.8 billion in fiscal year 2011, had improper payments totaling approximately $2.7 billion—a 3.8 percent error rate. That is almost 50 percent ($2.7 billion/$5.5 billion) of the Department's improper payments in fiscal year 2011.

Other programs in the Department, however, may have higher improper payment rates due to the ratio of improper payments to outlays. For example, the program with the next highest level of improper payments is the National School Lunch Program (NSLP) at approximately $1.5 billion, or 27 percent of USDA's improper payments. With outlays of just $10 billion, this translates into an improper payment rate of 15.5 percent for the NSLP. Hence, NSLP's improper payment rate is higher than SNAP's although its dollar value of improper payments is $1.2 billion less.

The following table, as cited on page 166 of USDA's Agency Financial Report for fiscal year 2012, provides the summary level information for all high-risk programs outlining improper payment rates for the last 2 years and future reduction targets. When a number cannot be provided, an explanation is provided in the notes following. The table includes amounts from program sampling results. USDA programs report results the year following sampling activity. For example, results reported during fiscal year 2011 represent measures of fiscal year 2010 outlays and program activity.

IMPROPER PAYMENT SAMPLING RESULTS

	Results reported in fiscal year 2011			Results reported in fiscal year 2012		
	Outlays	IP (percent)	IP (dollars in millions)	Outlays	IP (percent)	IP (dollars in millions)
Marketing Assistance Loan Program, FSA/CCC [Note #3]	3,054	0.52%	$16	2,878	0.08%	$2
Supplemental Nutrition Assistance Program, FNS [Note #8]	64,705	3.81	2,465	71,813	3.80	2,729
National School Lunch Program, FNS [Note #1]:						
Total Program	10,739	15.98	1,716	10,024	15.53	1,557
Certification Error	....	9.10	977	....	8.65	867
Counting/Claiming Error	....	6.88	739	....	6.88	690
School Breakfast Program, FNS [Note #1]:						
Total Program	2,824	24.96	705	2,987	25.18	752
Certification Error	....	9.17	259	....	9.39	280
Counting/Claiming Error	....	15.79	446	....	15.79	472
Women, Infants, and Children, FNS [Note #2]:						
Total Program	4,648	4.13	192	4,886	4.13	202
Certification Error Component	....	3.05	142	....	2.98	146
Vendor Error Component	....	1.08	50	....	1.15	56
Child and Adult Care Food Program, FNS [Note #2]:						
Total Program	2,521	N/A	N/A	2,653	N/A	N/A
FDC Homes—Tiering Decisions	896	1.53	14	900	1.58	14
FDC Homes—Meal Claims	....	N/A	N/A	....	N/A	N/A
Milk Income Loss Contract Program, FSA [Note #4]	182	2.00	4	1	N/A	N/A
Loan Deficiency Payments, FSA [Note #5]	0.2	N/A	N/A	0.1	N/A	N/A
Direct and Counter-Cyclical Payments, FSA [Note #3]	3,877	0.05	2	3,867	0.50	19

[3] Fiscal year 2012 Improper Payment Elimination and Recovery Act of 2010 Compliance Review (50024–0004–11, March 2013).

IMPROPER PAYMENT SAMPLING RESULTS—Continued

	Results reported in fiscal year 2011			Results reported in fiscal year 2012		
	Outlays	IP (percent)	IP (dollars in millions)	Outlays	IP (percent)	IP (dollars in millions)
Conservation Reserve Program, FSA [Note #3] ..	1,605	1.77	27	1,686	0.36	6
Miscellaneous Disaster Programs, FSA [Note #6]	235	2.90	7	477	2.16	10
Noninsured Assistance Program, FSA [Note #3]	90	8.97	8	69	7.00	5
Wildland Fire Suppression Management, FS [Note #9]	491	0.00	0.0	694	0.00	0.0
Rental Assistance Program, RD [Note #9]	1,020	1.48	15	1,078	3.44	37
Federal Crop Insurance Corporation Program Fund, RMA [Note #7]	5,225	4.72	247	4,249	4.08	173
Farm Security and Rural Investment Act Programs, NRCS [Note #9]	1,433	0.80	11	2,088	0.02	0.4
USDA Total	101,024	5.37	5,428	107,696	5.11	5,507

Source: USDA's Agency Financial Report for fiscal year 2012.

Note #1: Information has not been adjusted for interaction between the different sources of certification error and counting/claiming error. NSLP and SBP estimated improper payment amounts reported for fiscal year 2012 are based on improper payment rates for school year 2010/2011, multiplied by the fiscal year 2011 outlays.

Note #2: WIC and CACFP currently test components of their programs measuring fiscal year 2011 outlays for fiscal year 2012 reporting. CACFP currently tests and reports on the FDCH tiering decision component of the payment process. FNS continues to evaluate the measurement processes for the CACFP meal claim component. The agency has not set a date for measurement and reporting.

Note #3: MAL and NAP information for fiscal year 2012 reporting is based on total outlays for fiscal year 2011. DCP and CRP information for fiscal year 2012 reporting is based on October 2011 through December 2011 outlays, which represent 98.3 percent of the annual outlays for DCP and 94.7 percent of the annual outlays for CRP. The estimated improper payment dollar amounts for MAL, DCP, CRP, and NAP may reflect variances from the relationship between the improper payment percentage and the outlays amount. These variances result from the complex, multi-stage statistical sampling methodology developed by the contract statistician in calculating the independent projections of the dollars and percentages in error. The variances represent a complex ratio estimate weighted with respect to the payments within their applicable county stratification. They reflect the variability within the payment data and occur with a 90-percent confidence level.

Note #4: A full statistical sample was not cost-effective due to low outlays during fiscal year 2011 and the low improper payment rates in previous years. OMB will evaluate MILC activity annually to determine if measurement for a specific fiscal year would be cost-effective.

Note #5: A statistical sample was not performed; it was not cost-effective due to low outlays during fiscal year 2011, and low improper payment rates in previous years. OMB will evaluate LDP activity annually to determine if measurement for a specific fiscal year is cost-effective.

Note #6: FSA measured one component of the several MDP disaster program components for fiscal year 2012 reporting. A full statistical sample of all MDP components was not cost-effective. The Livestock Forage Disaster Program fiscal year 2011 outlays (63 percent of all MDP outlays) were statistically sampled. FSA is undergoing a risk assessment of the Livestock Indemnity Program (35 percent of MDP outlays). OMB will evaluate MDP activity annually and determine which components to measure for a specific fiscal year.

Note #7: RMA uses a 3-year running average to calculate its improper payment rate. fiscal year 2012 is based on the measurement of 2009, 2010, and 2011 crop year outlays.

Note #8: SNAP fiscal year 2012 reporting information is based on fiscal year 2011 outlays. SNAP reduction targets may be reduced and adjusted in consideration of increased need resulting from further growth in the program, which has been unprecedented during the past few years, State budget constraints, and other related factors. The SNAP improper payment rate trend line goes from 5.99 percent in fiscal year 2007 to 3.80 percent in fiscal year 2012. Due to the above issues, it is not realistic and likely not achievable for SNAP to consistently have 3.80 percent or less improper payment rate for future years.

Note #9: The FSRI, RAP, and WFSM programs' information for fiscal year 2012 reporting is based on fiscal year 2011 outlays.

Note #10: The MAL improper payment rate trend line goes from 7.52 percent in fiscal year 2007 to 0.08 percent in fiscal year 2012. The 0.08 percent rate for fiscal year 2012 is an outlier compared to rates of the previous 5 years. Due to the inherent variables in the statistical sampling measurement process, a fiscal year 2013 reduction lower than 0.08 percent is not realistic and likely not achievable. The MAL reduction target rates for fiscal year 2013, fiscal year 2014 and fiscal year 2015 in Exhibit 27, are more realistic and achievable in relationship to the MAL trend line from fiscal year 2007 through fiscal year 2011.

Note #11: The WFSM program has reported a 0.00 percent improper payment rate for the past 4 years. Due to the inherent variables in the statistical sampling measurement process, it is not realistic and likely not achievable for WFSM program to consistently have 0.00 percent improper payment rate for future years.

Note #12: Due to the inherent variables in the statistical sampling measurement process, it is not realistic and likely not achievable for FSRI program to consistently have 0.02 percent or less improper payment rate for future years.

Regarding a comparison of SNAP to other USDA programs from the perspective of our Investigations division, our foremost observation is the large number of successful SNAP investigations OIG has conducted recently, and the significant proportion of investigative resources OIG is allocating to pursue criminal activity in the program. The amount of convictions and monetary results from recent OIG investigations in SNAP are higher than for any other USDA program. For example, in fiscal year 2012, the total convictions and monetary results obtained from investigations pertaining to Farm Service Agency (FSA), Risk Management Agency (RMA), Rural Housing Service (RHS), Rural Business Service (RBS), and Grain Inspection, Packers and Stockyards Administration (GIPSA) programs were 72 convictions and \$36.8 million, respectively. In the same fiscal year, OIG investigative work in SNAP alone resulted in 342 convictions and \$57.7 million in monetary results. Overall, SNAP investigations produced over 50 percent of the monetary results achieved by OIG's Investigations division in fiscal year 2012.

The following chart provides a breakdown by agency of fiscal year 2012 indictments, convictions, and monetary results from OIG investigations. Note that the overall monetary results OIG investigations obtained in fiscal year 2012 were approximately $106 million; as mentioned above, SNAP investigations accounted for over $57 million of that total (which is reflected in the Food and Nutrition Service monetary results below).

Agency	Indictments	Convictions [1]	Monetary Results
Agricultural Marketing Service	2	4	$340
Animal Plant Health Inspection Service	50	75	263,620
Agricultural Research Service	4	2	71,200
Foreign Agricultural Service	3	1	99,191
Food and Nutrition Service	626	364	68,531,818
Forest Service	6	9	82,700
Farm Service Agency	28	37	14,554,850
Food Safety and Inspection Service	17	9	371,825
Grain Inspection, Packers and Stockyards Administration	6	4	1,100,000
Natural Resources Conservation Service	2	2	65,800
Rural Business—Cooperative Service	6	4	10,196,005
Rural Housing Service	29	17	8,937,577
Risk Management Agency	12	10	2,053,929
Rural Utility Service	1	....	....
Totals	793	538	106,328,855

[1] This category includes pretrial diversions.

Question. Are there any areas where there are major problems that the USDA could address within the SNAP program?

Answer. FNS needs to address the following recommendations issued in our audit reports:

27002–0011–13 SNAP Fraud Prevention and Detection Efforts.—In this audit, issued September 2012, our objective was to evaluate the adequacy of FNS and State tools used to prevent and detect SNAP fraud, determine whether the States were using the tools provided, and identify and evaluate the integrity of amounts reported for recipient and retailer fraud. We found that States need to more fully use existing tools to ensure applicant eligibility and detect fraud. We also found that FNS has not established processes to identify or estimate the total amount of SNAP fraud occurring nationwide, either by recipients or by retailers. Overall, the report recommended that for FNS to better detect and prevent recipient fraud, FNS should specify a set of tools that States are required to use for fraud detection, and create associated guidelines for their consistent usage. We have agreed with FNS on its corrective actions on each of the report's nine recommendations. In addition, FNS has reported that it has completed corrective actions on seven of the nine recommendations.

27001–0001–10 Overlap and Duplication in FNS' Nutrition Programs.—In this audit, issued June 2013, our objective was to assess FNS' nutrition programs to identify the potential for overlap and duplication. We found that the potential for overlap and duplication exists among FNS' 15 nutrition programs, and determined that FNS may be duplicating its efforts by providing participants total benefits in excess of 100 percent of daily nutritional needs when households and/or individuals participate in more than one FNS program simultaneously. The overall recommendations in the report were for FNS to determine and document the requirements for conducting a study, and to identify and determine the extent to which overlap and duplication may exist in FNS' nutritional assistance programs. For the report's two recommendations, we have agreed with FNS on the corrective actions on both recommendations. FNS is currently working to implement the corrective actions outlined in those recommendations.

27703–0001–22 Recovery Act Impacts on SNAP.—In this audit, issued June 2013, our objective was to determine if FNS had sufficient internal controls to ensure that SNAP administrative funds provided by the Recovery Act were used in accordance with the Recovery Act's provisions, Office of Management and Budget guidance, and FNS requirements for allowable program costs. FNS did not provide adequate accounting guidance, coordination, and oversight to ensure States fully complied with transparency and accountability requirements. The overall recommendations for the report were for FNS to recover unallowable expenditures totaling $470,272 from three State agencies and one county. We have not reached agreement on the report's four recommendations for corrective actions. We are continuing to work with the agency to do so.

27601–0001–31 FNS: Controls for Authorizing SNAP Retailers.—In this audit, issued July 2013, our objective was to assess FNS' controls over the retailer authorization process, findings reported by Scripps Howard News Service of permanently disqualified owners participating in SNAP, and FNS' recent actions to strengthen its processes. We found that FNS does not have clear procedures and guidance to carry out key oversight and enforcement activities to address SNAP retailer fraud, or adequate authority to prevent multiple instances of fraud—either by a particular owner or within a particular location. In addition, FNS regional offices put their limited resources towards other activities, such as retailer authorization, rather than assessing and enforcing retailer penalties. The overall recommendations for the report were for FNS to comprehensively review its policies and procedures, seek legislative change to retain a portion of retailer penalties, require background checks for retailers, strengthen internal guidance, improve its automated retailer data system, create and strengthen safeguards for high-risk stores, and require more supervisory reviews. Of the report's 20 recommendations for corrective actions, we have agreed with FNS' corrective actions on 12 of the recommendations. For the remaining eight recommendations, we continue to work with the agency to reach a resolution.

SUBCOMMITTEE RECESS

Senator PRYOR. The subcommittee will meet again 10 a.m. on Thursday, May 16. And I think this is the room where we'll hear from some of the Under Secretaries.

So again, thank you for your time and thank you for being part of this.

And with that, we'll recess the hearing.

[Whereupon, at 11:59 a.m., Thursday, May 9, the subcommittee was recessed, to reconvene at 10 a.m., Thursday, May 16.]

AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2014

THURSDAY, MAY 16, 2013

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:05 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Mark L. Pryor (chairman) presiding.

Present: Senators Pryor, Udall, and Cochran.

DEPARTMENT OF AGRICULTURE

STATEMENTS OF:

ED AVALOS, UNDER SECRETARY, MARKETING AND REGULATORY PROGRAMS

DR. CATHERINE WOTEKI, UNDER SECRETARY, RESEARCH, EDUCATION AND ECONOMICS

DR. ELISABETH HAGEN, UNDER SECRETARY, FOOD SAFETY

KEVIN CONCANNON, UNDER SECRETARY, FOOD, NUTRITION AND CONSUMER SERVICES

ACCOMPANIED BY MICHAEL YOUNG, BUDGET OFFICER

OPENING STATEMENT OF SENATOR MARK L. PRYOR

Senator PRYOR. I will call this hearing to order, and I want to say thank you to all of our panelists, our witnesses today.

This is the third hearing we've had on the subcommittee, and today we're going to have a chance to really talk in detail about some of the items in the budget for the U.S. Department of Agriculture (USDA).

I'd also like to thank Senator Cochran for standing in for Senator Blunt today. Senator Blunt is in Missouri at a commitment in his hometown that he committed to a long time ago, and we understand how that goes. So he has left the responsibilities in the very capable hands of Senator Cochran.

Of course, it's a delight to have Senator Cochran here. Not only is he a true gentleman but also the former chairman of the full committee, former chairman of the Appropriations Committee, came here in 1979.

And, Thad, before I came in this morning, I looked at that list of people that you came in with, and it's a very impressive list of Senators that you came in with: David Durenberger, Max Baucus, Nancy Kassebaum, of course, you, Rudy Boschwitz, Alan Simpson, John Warner, William Armstrong, Bill Cohen, Paul Tsongas, Larry Pressler, David Boren, Jim Exon, Carl Levin, of course, Bill Bradley, Howell Heflin, Roger Jepsen, Gordon Humphrey, and then this one guy named David Pryor. I don't know whatever happened to him, but I don't think he ever amounted to much.

But anyway, great class. And it's great to have you here. And as everyone here knows, Senator Cochran is really one of the giants of American agriculture.

Today, we have four Under Secretaries with us, and so I'm going to be very brief in my opening statements. And I'll just go ahead and introduce you here in just a moment, but I'd like to welcome each one of you to the subcommittee. Well, I'll go ahead.

Mr. Kevin Concannon, the Under Secretary for Food, Nutrition and Consumer Services; Dr. Elizabeth Hagen, the Under Secretary for Food Safety; Mr. Edward Avalos, Under Secretary for Marketing and Regulatory Programs; and Dr. Catherine Woteki, Chief Scientist and Under Secretary for Research, Education, and Economics.

The Under Secretaries here today represent a wide range of activities carried out by the Department. Their combined budget requests are nearly $12.4 billion in discretionary funding, which is nearly 69 percent of USDA's total request for fiscal year 2014.

The largest portion of that is for the nutrition programs, which include the Women, Infants, and Children (WIC) program, the largest single discretionary pot of money in the USDA. The fiscal year 2014 budget for WIC is $7.1 billion. That's an increase of $286 million from last year, without accounting for the sequester. This will support an estimated 8.9 million women, infants, and children per month in this country.

For the Food Safety and Inspection Service (FSIS), the budget actually requests a decrease from last year, again, without accounting for the sequester. This is in large part due to USDA's intent to finalize and implement a new poultry slaughter rule.

This rule will refocus the efforts of the inspectors and require fewer Federal resources. I look forward to talking a little further with you all about this.

The budget request also includes a slight decrease for the Animal and Plant Health Inspection Service (APHIS) but includes a number of programmatic changes to address new and emerging issues. I'm interested to hear how you plan to balance the needs of new problems in this budgetary environment while maintaining appropriate efforts on longer term issues.

The research budget this year has increased by approximately $125 million with the vast majority of that increase being provided through the Agriculture and Food Research Initiative, AFRI, at the National Institute of Food and Agriculture (NIFA).

I'm always pleased to see increased requests for agriculture research, and I think it's an important and sound investment of taxpayer dollars.

Now we talked a bit about this last week, how our farmers are going to have to produce more in the next 40 years. They're going to have to produce more than they produced in all of recorded history. The investments in research are what will make this possible.

However, I would also like to say, briefly, I don't think we should focus all of our attention on competitive research. I think the land-grant universities and capacity programs funded in this bill are vital to the work of America's farmers. They allow for continued focus on local and regional problems and issues faced by our producers, and they disseminate information, so it can be used by everyone. We shouldn't lose sight of their importance.

With that, what I'd like to do is turn it over to Senator Cochran and would like to hear his opening statement.

STATEMENT OF SENATOR THAD COCHRAN

Senator COCHRAN. Mr. Chairman, thank you for presiding over this hearing this morning. I'm pleased to join you in welcoming our distinguished panel of witnesses from the Department, who are here to talk about the budget request for the next fiscal year.

Nutrition programs are important, and they're contained in the part of the budget that will be discussed this morning, along with other activities, Animal and Plant Health Inspection Service, funding, and others.

We thank you for your service through your responsibilities to the Department of Agriculture and to our consumers and farmers nationwide. We appreciate your diligence and your careful attention to our public responsibilities.

Thank you.

Senator PRYOR. Thank you.

And I thought what I would do is just, I guess, for ease, just start over here with Mr. Avalos and just go down the line here. So let's do 5 minutes for opening statements. Now, your written statements will be part of the record, so if you want to summarize and do it in 5 minutes, that would be great.

Mr. Avalos.

SUMMARY STATEMENT OF ED AVALOS

Mr. AVALOS. Thank you, Mr. Chairman, Ranking Member Cochran. Thank you so much for the invitation to be here.

I'm just going to take a few minutes to talk about our budget request. I have a statement that I do have for the record. So anyway, I just want to highlight our request.

We are requesting a total discretionary appropriation of $925 million. It's important to note that this is $84 million less than 2009. It's $120 million less than 2010.

Now, we've cut expenses. We've created efficiencies. We've reduced staff. We're very much on board for reducing Government spending, for reducing the deficit. But we still have to do our job.

At the Agricultural Marking Service (AMS), our budget request was about $84 million. It includes additional money to support rural communities by helping producers meet the growing demand for local and regional foods; also funding to maintain confidence in the organic label through enforcement and compliance; and finally, to expand international markets through equivalency agreements with countries such as Costa Rica, Korea, India, and Germany.

At APHIS, our budget request is about $801 million. This includes additional funding to establish a comprehensive national feral hog plan. Feral hogs are an invasive species found in 38

States. They spread disease and cause damage, damage estimated at $1.5 billion.

Also additional funding to implement our new animal disease traceability program. This program has buy-in from producers, has buy-in from States, buy-in from the tribes, and it's supported by trading partners.

And funding to eradicate the Asian long-horned beetle, which threatens our hardwood forests, and the European grapevine moth, which threatens the California wine and grape industry.

The Grain Inspection, Packers and Stockyards Administration (GIPSA) request is about $40 million, and it's about making sure the seller gets paid, about fairness in the marketplace. And this is created by allowing our field agents to do the necessary enforcement and compliance work.

On the grain side, we are requesting funding to purchase critical equipment that we've been holding back for a long time from purchasing. This is necessary to maintain the strong domestic and international trade.

PREPARED STATEMENT

This concludes my opening remarks. I look forward to working with the subcommittee, and I'm prepared to answer any questions. Thank you very much.

[The statement follows:]

PREPARED STATEMENT OF ED AVALOS

Mr. Chairman and distinguished members of this subcommittee, I am pleased to appear before you to discuss the activities of the Marketing and Regulatory Programs (MRP) mission area of the U.S. Department of Agriculture (USDA) and to present the fiscal year 2014 budget proposals for the Agricultural Marketing Service (AMS), the Animal and Plant Health Inspection Service (APHIS), and the Grain Inspection, Packers and Stockyards Administration (GIPSA).

Secretary Vilsack has stated that the Administration is strongly committed to programs that create jobs and expand markets. MRP helps accomplish this in a variety of ways. For example, AMS and GIPSA certify the quality of agricultural commodities and provide industry with a competitive edge earned by the USDA seal of approval for grading and inspection. GIPSA also works to help ensure that livestock producers have a fair and competitive market environment. APHIS protects the health of plants and animals, enhancing the competitiveness of U.S. producers by keeping production and marketing costs low. All three agencies help resolve international issues to maintain and open markets around the world for U.S. products.

MRP agencies have operated in an environment of tightened budgets. We have accomplished this through proactive management of, if not reductions in, staffing; internal reorganizations; office closures; consolidation of telecommunication services; and reduction of travel and other expenses. Further, we have prioritized our activities and made decisions to eliminate or reduce programs that are not central to our mission. In addition, APHIS has reduced involvement in combating those pests where good progress could not be made with available means or which are overshadowed by higher priority threats. Successful efforts to eradicate pests, such as boll weevil and screwworm allow savings as well.

Still, the MRP agencies have achieved significant accomplishments that I would like to highlight. In fiscal year 2012, APHIS resolved 207 sanitary and phytosanitary trade issues, including opening new markets and retaining and expanding existing market access for U.S. agricultural products valued at $2.56 billion. This involved more than 50 countries and plant and animal products such as beef, cherries, dairy products, grapes, live swine and cattle, peas and pulses, potatoes, poultry, stone fruit, and many more. In fiscal year 2012, APHIS personnel stationed overseas successfully secured the release of 324 shipments of agricultural products worth more than $41 million. APHIS, working with California cooperators, reduced populations of European grapevine moths (EGVM), so that detections numbered only 77 in fiscal year 2012 compared with almost 101,000 in fiscal year 2010.

EGVM is a threat not only to producers in California but potentially to those in 30 other States. APHIS has also achieved success in the animal health sector. Subsequent to APHIS promulgating the animal disease traceability rule in December, 2012, the Scientific Commission for the World Organization for Animal Health (OIE) recommended that the U.S. risk classification for bovine spongiform encephalopathy be changed from the second-tier risk rating to the lowest risk rating that OIE provides. Upon finalization, this will aid efforts to promote U.S. cattle and beef products abroad.

AMS achieved notable accomplishments in fiscal year 2012 as well. AMS purchased about $1.4 billion of food produced by America's farmers and processors for domestic nutrition assistance programs. In response to industry requests to improve procurement processes for canned and frozen fruit and vegetable products, and to better meet the Food and Nutrition Service's (FNS's) need to supply these products year-round, AMS redesigned procurement programs in 2012 in a manner that won praise from industry and FNS recipient agencies. AMS established the United States–European Union Organic Equivalency Arrangement in June 2012, which has opened up a $24 billion market to U.S. organic producers and handlers. AMS also facilitated marketing of U.S. organic products to Argentina, Australia, Brazil, Costa Rica, China, Germany, and Guatemala.

Finally, GIPSA had many noteworthy accomplishments. GIPSA closed 2,545 investigative files on potential violations of the Packers and Stockyards Act in fiscal year 2012, compared with about 2,050 in fiscal year 2011 and less than 580 in fiscal year 2000. In addition, GIPSA also implemented use of new grain moisture meters based on technology it developed in coordination with the Agricultural Research Service and transferred to the private sector for commercial use. Two competing manufacturers' moisture meters were subsequently approved by GIPSA, which reduced significantly the price paid by the grain industry for these instruments.

The 2014 budget requests total budgetary authority of about $2.4 billion for the MRP agencies, of which about $925 million is from discretionary appropriations, more than $940 million from Customs receipts, and about $435 million from fees charged to the direct beneficiaries of MRP services. The discretionary appropriations request for the MRP agencies combined is about $84 million less than the fiscal year 2009 appropriation, a decrease of about 8 percent. Continuing our efforts to address core mandates and high-priority needs while using taxpayer resources as efficiently as possible, I would like to highlight the budget requests for the MRP agencies.

AGRICULTURAL MARKETING SERVICE

The mission of AMS is to facilitate the competitive and efficient marketing of U.S. agricultural products. AMS accomplishes this mission through a wide variety of activities in cooperation with partners to the benefit of U.S. producers, marketers, and consumers. The President's budget request for AMS proposes a discretionary appropriation of about $84 million and includes a small number of important initiatives.

With additional funding for the Transportation and Market Development Program, AMS will help producers respond to growing consumer demand for local and regional food and expand their access to markets through product aggregation, processing, and distribution. Such efforts are intended to provide opportunities for smaller producers to scale up, for mid-sized producers to serve a scale-appropriate market segment such as institutions and grocers, and for producers of all sizes to diversify their sales. Expanding local and regional food systems in a community has been found to increase employment and income in that community.

The budget also includes funding to assist the organic sector by ensuring the integrity of the USDA organic seal and fostering new organic equivalency agreements while taking actions, such as compliance monitoring, to maintain existing agreements. As organic sales expand and the number of certified operations rises, the National Organic Program must have sufficient resources to accredit, audit, and oversee the work of certifying agents, keep pace with violation investigation and enforcement, and maintain and expand trade opportunities provided by equivalency agreements.

An initiative under the Federal-State Marketing Improvement Program (FSMIP) will assist producers in meeting the requirements of the Food Safety Modernization Act. Under the FSMIP, 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.

The budget requests funding from section 32 for USDA's Web-Based Supply Chain Management (WBSCM) system to begin a technical upgrade that must be completed in 2015 to keep the system operating efficiently and cost-effectively. AMS manages the WBSCM system, which has improved the procurement, delivery, and management of more than 200 foods (4.5 million tons) through domestic and foreign feeding programs administered by AMS, FSA, FNS, FAS, and the United States Agency for International Development.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

The Animal and Plant Health Inspection Service has a broad mission that includes protecting and promoting the health of U.S. agriculture and natural resources, administering the Animal Welfare Act, and carrying out wildlife damage management activities. Together with customers and stakeholders, APHIS enhances market access in the global marketplace and helps ensure abundant agricultural products.

The budget request proposes discretionary appropriations of about $801 million. In addition, existing user fees of more than $210 million will support Agricultural Quarantine Inspection activities. The budget proposes an elimination of funding for programs such as Johne's disease and chronic wasting disease, which can best be managed at a local or regional level. Increased cost-sharing will be requested from beneficiaries of several pest programs related to specialty crops, trees, and wildlife damage management; this allows lesser demand for Federal taxpayer resources. These and other carefully considered reductions, together with aggressive streamlining steps, allow us to steward taxpayer resources and request a small number of increases for our highest priorities.

Given promulgation of the final animal disease traceability rule, the budget requests funding to support effective implementation. This includes information technology systems to administer animal identification devices, allocate location identifiers, and manage the animal disease traceability information systems. APHIS will continue to provide the premises identification systems to States and tribes that wish to use them. Funding for cooperative agreements with State and tribes to implement the program, provision of low-cost identification tags, and other needs are included in the request.

Notably, the President's budget requests an increase to address the growing problem of feral swine, which are estimated to cause $1.5 billion in damages that threaten animal and human health; crops and livestock; rural, suburban, and urban properties; and natural resources and native resources. APHIS will coordinate with other Federal, State, and local entities to create a national program to address the more than 5 million feral swine currently found in 38 States. With populations of feral swine that have increased 21 percent annually in recent years, prompt and nationally coordinated action is needed.

Additional resources are also requested for a variety of efforts. For example, the budget includes additional funding to combat the Asian longhorned beetle in Ohio and Massachusetts, and to eradicate EGVM in California. To implement the APHIS rule to protect pets that are sold over the Internet, by phone and by mail and that are currently exempt from USDA oversight, the budget requests funds to identify such vendors and conduct education and licensing activities.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

GIPSA's mission is to facilitate the marketing of livestock, meat, poultry, grain, and related agricultural products and to promote fair and competitive trade for the benefit of consumers and American agriculture. GIPSA fulfills this mission through the Packers and Stockyards Program (P&SP) and the Federal Grain Inspection Service (FGIS).

The budget proposes a discretionary appropriation of slightly more than $40 million. About $23 million is requested for the P&SP while approximately $18 million is for FGIS activities including standardization, compliance, and methods development activities. The budget also includes existing user fees of about $50 million for grain inspection and weighing. The discretionary budget includes a request for additional funding to allow the P&SP to facilitate market protections for buyers and sellers of livestock and poultry through greater compliance, investigative, and enforcement activities in the field. Funds would provide equipment and other support expenses needed for its field staff to effectively conduct regulatory and investigative work. An increase for FGIS will allow it to purchase long-delayed scientific equipment, which will provide advanced assessment of rice characteristics and effective mycotoxin and pesticide residue testing programs for U.S. grain exporters.

CONCLUSION

In closing, the budget request for MRP supports our key role for the rural economy and for producers and consumers across the Nation. It also reflects the comprehensive efforts we have taken to conserve taxpayer dollars through targeted, common sense efficiencies. Any further reduction in funding would significantly impair our ability to deliver critical services and would imperil our efforts to manage an increasingly complex workload with constrained staffing levels.

This concludes my statement. I look forward to working with the subcommittee on the 2014 budget and will be glad to answer questions you may have on these budget proposals.

Senator PRYOR. Thank you.

Dr. Woteki.

SUMMARY STATEMENT OF DR. CATHERINE WOTEKI

Dr. WOTEKI. Well, good morning, Chairman Pryor, Senator Cochran. It's a real pleasure to appear before you today and to describe the budget request for Research, Education, and Economics (REE). I'll summarize my written testimony and note that USDA really has a very long history of enhancing rural prosperity while helping to provide an abundant and diverse food supply to rural America and to urban America.

One of the key ways that these goals are reached is through our combined investment in research and education. And this encompasses really cutting-edge research on genetics and genomics, natural resources and environmental science, human and animal nutrition and food safety, and local and global food security. USDA has also invested in public education and scientific literacy. And details on all of these are available in our action plan widely available and posted on our Web site.

Last year marked 150 years of USDA and also 150 years of the partnership that we have with the land-grant university community that has been expanded to include historically Black colleges as well as tribal colleges. And this research partnership is really essential for bringing together the research, the education and extension components.

Public investment in agricultural research is critical to the innovations that keep our agricultural sector productive and ensure positive benefits to our economy. For every $1 that we invest in agricultural research, it returns $20 to the U.S. economy.

For the REE mission area, the budget request for 2014 is $2.8 billion for the four agencies that comprise the mission area. I'm going to highlight some of the key proposed investments for each of these four agencies.

For the Agricultural Research Service (ARS), the budget request is $1.28 billion. This will go to priorities that we've identified such as centralizing ARS information technology (IT) systems, improving production efficiencies through sustainable agriculture, helping producers adapt to and mitigate the effects of climate change, protecting crops at high risk of infestation from insects, continuing the development of alternative fuels, and building on ongoing research in the Earth sciences.

In addition, in 2011, Congress directed ARS to study and prioritize infrastructure investments. ARS's capital investment strategy identified 21 low-condition facilities that housed high-priority research programs that are in need of modernization.

And the President's budget requests $155 million for the number one priority, a replacement facility for the Southeast Poultry Disease Research Laboratory in Athens, Georgia, where we're currently conducting research on the avian influenza strain H7N9 that's causing really human health as well as animal issues in China.

USDA's extramural science and education is coordinated through the National Institute of Food and Agriculture. The budget request is $1.29 billion and does fund the land-grant university system through a combination of capacity and competitive funds.

As you noted, the President's budget request increased to a total of $383 million for NIFA's flagship competitive program, the Agriculture and Food Research Initiative.

Finally, turning to the statistical agencies, the Economic Research Service (ERS) and the National Agricultural Statistics Service (NASS), the President's budget requests $78 million for ERS. And this is research that addresses all aspects from an economic perspective of the agricultural enterprise. Within that is a request for $2.5 million for research innovations to improve policy effectiveness, to strengthen behavioral economics research, as well as the statistical uses of administrative data.

Finally, for NASS, the budget request is just under $160 million. It will provide funding that will allow the completion of the Census of Agriculture, as well as $117 million for the agricultural estimates program.

The REE mission area has been looking to find administrative efficiencies in the way we conduct our programs. For example, we've cut travel spending by 52 percent below the 2010 level.

These are difficult times, we recognize. But as a Nation, if we're going to maintain our leadership role in agriculture, particularly as it relates to agricultural innovation and productivity, we have an obligation to support research, education, and extension activities.

PREPARED STATEMENT

Mr. Chairman, I look forward to working with you as we continue to support a world-class level of science at the Department of Agriculture, and to maintain and increase the strength of American agriculture.

I'm looking forward to your questions, thank you.

[The statement follows:]

PREPARED STATEMENT OF DR. CATHERINE WOTEKI

Chairman Pryor, Ranking Member Blunt, and members of the subcommittee, my name is Catherine Woteki and I am the Chief Scientist and Under Secretary for Research, Education, and Economics (REE) at the United States Department of Agriculture (USDA). I am pleased to appear before you to discuss the President's 2014 budgets for the REE mission area agencies.

My testimony reflects the unwavering commitment of President Barack Obama, Secretary Tom Vilsack, and all those who work at USDA to support our Nation's farmers, producers, and consumers every step of the way from farm to dinner table. USDA has a long history of enhancing rural prosperity while helping to provide an abundant and diverse food supply to urban and rural America. One of the key ways these goals are achieved is through USDA's cutting edge research on genetics and genomics, and natural resources and environmental science, nutrition and food safety, and local and global food security. USDA has also invested in public education and scientific literacy. Our Action Plan is available to you at any time and can be found at http://ree.usda.gov.

As you know, this commitment to science is one that USDA made long ago. Last year marked 150 years since President Abraham Lincoln created the Department of Agriculture along with the 150th anniversary of the signing of the Morrill Act—the legislation that created our Nation's network of land-grant universities. This partnership—which was subsequently expanded in 1890 to include institutions serving the African American community and in 1994 to include the tribal colleges—is critical in the advancement of agricultural science in the United States today. The internationally recognized Extension system that is housed in these land-grant colleges and universities is an important incubator for best practices in agriculture.

The challenges for the next several decades are clear: expanding and delivering safe and nutritious food to a growing population, keeping agricultural production profitable, bolstering agricultural exports, reversing the obesity epidemic, and ensuring that our natural resources remain available and abundant for future generations while responding to the threat of a changing climate.

Scientific research is the cornerstone of agricultural production and food security. Investing in agricultural research is critical to the innovations that keep our agricultural sector productive, offset a shrinking farm safety net, and ensure positive benefits to our economy. Agricultural productivity is a key component of net farm income, which last year was the second highest since 1980. Investments in agricultural science will increase the productivity that is essential for the long-term prosperity of our Nation. In fact, for every $1 spent on agricultural research, $20 is returned to the economy. In tough economic times, investing in agricultural science makes sense.

The challenge to be responsible stewards of taxpayer dollars is one that the REE mission area takes very seriously. While each of our four agencies serves a particular function and constituency, we also coordinate our work to maximize Federal agricultural research funding. REE mission area agencies collaborate closely with scientists and researchers across the Federal Government, industry, academia, and other stakeholders. These collaborations are particularly important in conducting scientific research that is not cost-effective for farmers or producers to undertake. Another benefit of collaboration is that it reduces the duplication of research endeavors.

These are some of the key principles that have been brought to bear as the President's fiscal year 2014 budget request for the REE mission area was developed. This budget request reflects the belt-tightening and prioritizing that many Americans have been forced to make in a challenging economic climate. For the REE mission area, the budget requests $2.8 billion for the four mission area agencies. I would like to spend some time highlighting some of our key proposed investments for 2014 budget.

For the Agricultural Research Service (ARS), the President's 2014 budget requests $1.28 billion. Investing in several aspects of the vast research agenda of ARS—from increases in important scientific topics to responding to emerging priorities and to an aging infrastructure—this budget request demonstrates the administration's commitment to agricultural science.

For example, the budget request allocates $4.6 million to centralize information technology (IT) systems in ARS. Ensuring robust systems to capture, track, and compile data will go a long way toward accelerating the pace of discovery and effectively explaining and building upon ARS's scientific achievements. These investments will also help reduce duplication and increase coordination of research investigations by enhancing their transparency.

The 2014 budget request also provides funding for priority initiatives that will improve production efficiencies through sustainable agriculture ($10 million), help producers adapt to and mitigate the effects of climate change ($10 million), protect crops at high risk of infestation from insects ($6 million), continue the development of alternative fuels ($5 million) and build on ongoing research in the earth sciences ($4 million).

In addition, in 2011 Congress directed ARS to study and prioritize ARS's infrastructure investments. The resulting ARS Capital Investment Strategy identified 21 low-condition facilities that house high-priority programs and that are in need of modernization over the next decade. The President's budget requests $155 million for the number one priority, a replacement facility for the Southeast Poultry Disease Research Laboratory in Athens, Georgia. This laboratory is the country's leading facility for research on emerging and exotic poultry diseases, including avian influenza, and the request will enable ARS scientists to advance this critically important area of research.

The National Agricultural Library has renewed purpose in the digital age to facilitate research collaboration on interdisciplinary agricultural problems among Government agencies, industry and academia. The 2014 budget requests a total of $26 million to continue library and information services, support a Government-wide Earth Observation and Environmental Data Activities initiative, and develop and provide unified and accessible data infrastructure capacity.

The above proposals represent investments in USDA's intramural science programs. USDA's extramural science is coordinated by the National Institute of Food and Agriculture (NIFA). The budget proposes a total funding level for NIFA of $1.29 billion. NIFA funds capacity-building programs—grants programs that support a variety of research, education, and Extension initiatives at land-grant institutions—as well as competitive grant programs to support scientists, researchers, and educators from across our Nation that are awarded after a rigorous peer-review panel selection process.

For 2014, the President's budget requests $383 million for NIFA's flagship competitive grant program, the Agriculture and Food Research Initiative (AFRI). AFRI's programs provide the largest investment in agricultural science across a number of disciplines that touch every aspect of American lives; from plant and animal health and production, to agricultural systems and technologies, to bioenergy and natural resources, to food safety, human nutrition, and health. Responding to producer's concerns about the need for quicker response to emerging problems, the President's budget includes a new Critical Agricultural Research and Extension (CARE) Competition in the Agriculture and Food Research Initiative. The CARE Competition will permit us to address emerging issues important to agricultural production.

To improve transparency and accountability, the President's budget provides $7.8 million to consolidate and modernize NIFA's grant management systems. This critical investment will allow NIFA to accurately quantify its research successes and help track research accomplishments as they transfer from the laboratory to our communities and our homes.

As a former dean of agriculture at a land-grant university, I am a strong proponent of ensuring that the bench is deep from which to draw our next generation of farmers and scientists. The President's budget reorganizes several Science, Technology, Engineering, and Math (STEM) programs administration-wide into the Department of Education and the National Science Foundation, thereby transferring NIFA's STEM education programs to those agencies. However, NIFA will continue to support secondary and post-secondary students in other ways. For instance, AFRI grants to university researchers routinely support fellowships to pre- and post-doctoral students working with principal investigators on these grants, representing about $6 million in fiscal year 2010. Additionally, the President's budget proposes $9.2 million for Hispanic-Serving Institutions (HSI) Education Partnership Grants Program.

Also, the 2014 budget requests $22 million for sustainable agriculture, in particular, through the Sustainable Agriculture Research and Education (SARE) program. These funds will help SARE grantees continue their important research, education, and extension activities across the Nation. SARE grants focus on keeping American agriculture profitable while ensuring that we can remain responsible stewards of our environment.

In addition to intramural and extramural science, the REE mission area provides a valuable service to not only other USDA mission areas but also to America's agricultural producers, industry, academia, and non-governmental organization (NGOs) through its support of two key USDA research and statistical agencies, the Economic Research Service (ERS) and the National Agricultural Statistics Service (NASS).

The President's budget requests $78 million for ERS. ERS anticipates and responds to the needs of decisionmakers by applying economic and social science research to address all aspects of the agricultural enterprise, from scientific investments to food access to agricultural trade. For example, the President's budget proposes $2.5 million for "Research Innovations to Improve Policy Effectiveness" to strengthen behavioral economics research and statistical uses of administrative data. Behavioral economics research is based on the concept that humans do not always make the most rational choices, but instead are influenced by external factors like emotion or social pressure. ERS intends to apply behavioral economics to analyze and better understand food and agricultural programs and policies.

The 2014 budget requests nearly $160 million for NASS—which is well known across the Nation by farmers, ranchers, and other producers and processors, as well as the commodity markets. For the Census of Agriculture that is conducted every 5 years, The budget request will fully fund the Census at $43 million. The 2012 Census is currently underway and close to 1.9 million responses have been received as of early April. The results of the Census will be published in 2014 and will provide data important to the agricultural industry as well as to the administration of Federal programs. Farmers and commodity markets have also come to depend on the impartial forecasts of NASS's agricultural estimates that the agency compiles many times each year.

Mr. Chairman, the President's 2014 budget for USDA's REE mission area builds on critical investments in agricultural science. Under the strong leadership of Secretary Vilsack, we are continuing to leverage our appropriations by streamlining processes and identifying efficiencies throughout the Department. REE mission area agencies collectively have reduced travel spending, on average, by nearly 52 percent below 2010 spending. We have provided retirement options for those who are eligible and have greatly reduced hiring.

Mr. Chairman, these are difficult times. Like you, like the members of this subcommittee, we understand that all too well. But if we, as a Nation, are to maintain our leadership role in the world of agricultural innovation and productivity we have an obligation to support research, education, and Extension activities.

At a time when China and Brazil are ramping up their investment in agricultural research, we cannot afford to let ours be gutted, or worse still, be ignored.

It is too easy to take for granted the healthy, nutritious, and safe foods that are available to us, the clean air we breathe, the fresh water we drink, and even the clothes we wear. These are benefits that have resulted to a large extent from the discoveries made by Federal investments in agricultural science.

Scientific endeavors are not the kind of activity that we can put a bookmark in and come back when funding is flush. Research requires ongoing investigation and commitment.

Mr. Chairman, I look forward to working with you as we continue to support a world-class level of science at the Department of Agriculture to maintain and increase the strength of U.S. agriculture.

Thank you again for your time and I would be pleased to answer any questions you may have.

Senator PRYOR. Thank you.

Dr. Hagen.

SUMMARY STATEMENT OF DR. ELISABETH HAGEN

Dr. HAGEN. Good morning, Mr. Chairman. Good morning, Senator Cochran. I'm Dr. Elisabeth Hagen, Under Secretary for Food Safety at the USDA. I am pleased to appear here before you in support of the President's fiscal year 2014 budget request for the USDA's Food Safety and Inspection Service (FSIS).

FSIS is the public health regulatory agency responsible for ensuring the safety of the meat, poultry, and processed egg supply. Much of what we do is mandated by law, originating with the Federal Meat Inspection Act, which passed in 1906, and later in the 1950s with the passage of the Poultry Products Inspection Act.

Much has happened since that time when our statutes were enacted. And as our scientific understanding has increased, we're constantly looking for better ways to protect consumer from foodborne illnesses.

For instance, the Centers for Disease Control and Prevention (CDC) data shows that, since the mid-1990s, significant progress has been made in reducing the incidents of foodborne infections from pathogens often associated with the products that we regulate. However, disease rates from Salmonella have remained stagnant. So reducing these illnesses is a top priority for FSIS.

We must ensure that our inspection activities are aligned with food safety risks. That is why, this past December, we set new requirements for ground and comminuted poultry establishments to reassess their hazard analysis and critical control points (HACCP) plans to account for several recent Salmonella outbreaks associated with these products. This reassessment will increase the likelihood that companies will effectively address the hazards that these products present and that they will better prevent foodborne illness.

We've also finalized a baseline study that targets reducing Salmonella rates in raw chicken parts. This baseline study provides us with important data on the prevalence and quantitative levels of

Salmonella and Campylobacter in the chicken products most commonly purchased by consumers.

Another important way for us to align inspection with risk and reduce Salmonella rates is to modernize poultry slaughter inspection. Our proposal focuses inspection on areas of poultry production that will have the biggest impact on food safety. Currently, many FSIS in-plant personnel perform quality assurance tasks, such as looking for visible defects and sorting birds.

If we adopt this proposal, FSIS would shift its focus to critical food safety tasks, such as pathogen testing, verifying HACCP and sanitation procedures. And the quality assurance tasks will be turned over to the company.

The need for modernizing our food safety system is evident. Scientific assumptions that existed when the Poultry Products Inspection Act was first enacted in the 1950s are now outdated. We must ensure that our regulatory tools correspond with current knowledge and that we are able to tackle modern food safety challenges. Updating what we do and where we focus will help the agency prevent foodborne illnesses more effectively and more efficiently as well.

In addition to improving food safety, we estimate that this proposal would save taxpayers approximately $90 million over the first 3 years of implementation, and would result in a shared benefit to consumers and industry of about $250 million annually.

In our continued effort to better protect public health, we're also updating the way we collect and report data. We're doing this through the implementation of the Public Health Information System, which integrates our data sources to support a comprehensive, reliable, and data-driven approach to our inspection.

We must also align our in-commerce activities with current risks. For example, FSIS is developing a proposed rule to require retail operations to maintain accurate grinding records of source materials and practices, and this would greatly improve our ability to trace products from retail back to slaughter facilities.

While most of our work is done in-plant, we recognize the importance of good pre-harvest practices on the farm and safe food handling at home. That is why we're actively engaged in improving food safety across the farm-to-table continuum. For example, we hosted a summit that brought together key stakeholders to discuss pre-harvest practices that will reduce the likelihood of contamination at slaughter. We're also working with our Federal food safety partners to share best practices.

On the other end of the equation, we provide consumers with the tools they need to handle food safely at home. And we reach them through mediums such as TV, radio, print, and social media.

PREPARED STATEMENT

So in conclusion, I would say that we are continually assessing whether we are doing the best job that we can do to prevent foodborne illness in the most effective and the most efficient way possible. Government can deliver better than people expect, and we are committed to doing so.

I am proud to lead the FSIS workforce in the mission to protect public health, and I appreciate the opportunity to be here with you today and to answer your questions.

[The statement follows:]

Prepared Statement of Dr. Elisabeth Hagen

INTRODUCTION

Mr. Chairman, Ranking Member Blunt, and members of the subcommittee, I am Dr. Elisabeth Hagen, Under Secretary for Food Safety at the U.S. Department of Agriculture (USDA).

I am pleased to appear before you today in support of the President's fiscal year 2014 budget request for USDA's Food Safety and Inspection Service (FSIS) and to discuss the status of FSIS programs. The President's fiscal year 2014 budget request for FSIS includes slightly more than $1 billion in appropriated funding. This funding level ensures that we remain capable of performing our vital regulatory mission to ensure the safety of meat, poultry and processed egg products. The notable changes in the fiscal year 2014 budget request include initial estimated savings from transition to the modernized poultry inspection system and sufficient funding to continue implementation of the Cooperative Interstate Shipment program.

Who We Are

FSIS is USDA's public health agency and is responsible for ensuring that the Nation's commercial supply of meat, poultry, and egg products, whether domestic or imported, is safe, wholesome, and correctly labeled and packaged.

The dedicated men and women of FSIS all across the Nation are vital to carrying out our mission. Of the 9,750 people that FSIS employed at the end of fiscal year 2012, 8,678 of them were on the front lines protecting public health in 6,263 federally regulated establishments, in one of the three FSIS laboratories, at approximately 120 ports of entry, and in 150,000 in-commerce facilities nationwide.

What We Do

Our mission is unique because much of it is mandated by law. FSIS enforces the Federal Meat Inspection Act (FMIA) and the Poultry Products Inspection Act (PPIA), which require the examination and inspection of all livestock and poultry slaughtered and processed for use in commerce for human food, with few exceptions. FSIS also enforces the Humane Methods of Slaughter Act (HMSA), which requires that livestock be handled and slaughtered humanely. Livestock and poultry slaughter operations cannot operate without the presence of inspection personnel, and inspection personnel must also be present at least once-per-shift per day for meat and poultry processing operations. During fiscal year 2012, FSIS personnel inspected about 147 million head of livestock and 8.9 billion birds at slaughter establishments nationwide.

In addition, under the Egg Products Inspection Act, FSIS inspects processed egg products, which are primarily used as ingredients in other foods, such as prepared mayonnaise and ice cream, and by the food service industry, including hospitals and schools. During fiscal year 2012, FSIS personnel inspected about 4 billion pounds of processed egg products.

FSIS also regulates all imports of meat, poultry, and processed egg products intended for use as human food. In fact, before imports of FSIS-regulated products are allowed, FSIS establishes the initial equivalence of every exporting country's food safety regulatory system, on a product-by-product basis.

In addition, FSIS cooperates with 27 States to develop and administer State meat and poultry inspection (MPI) programs that enforce food safety requirements that are "at least equal to" Federal requirements at about 1,700 establishments. These establishments can only ship or sell products within their State.

FSIS has also entered into cooperative interstate shipment agreements with three States—Ohio, North Dakota, and Wisconsin. FSIS signed its first agreement with Ohio on August 8, 2012, marking the implementation of section 11015 of the Food, Conservation, and Energy Act of 2008. FSIS signed agreements with North Dakota and Wisconsin on January 11 and 14, 2013, respectively.

PREVENTING FOODBORNE ILLNESS

In addition to meeting our statutory obligations, we are constantly looking for ways to better protect American consumers from foodborne illnesses and evolve our methods to address modern food safety challenges.

In September 2011, FSIS unveiled its Strategic Plan for fiscal year 2011 through fiscal year 2016, outlining strategies and measurable goals to reduce foodborne illness. Since then we have taken a number of very significant steps toward accomplishing these goals, which I'm proud to share with you today.

On June 4, 2012, FSIS began testing for six serogroups of Shiga toxin-producing E. coli—O26, O103, O45, O111, O121 and O145—in addition to O157:H7. Between June 4, 2012, and April 29, 2013, FSIS tested 3,531 samples of domestic and imported raw ground beef components for non-O157 E. coli, and found 50 of those samples to be positive.

Also, on February 8, we implemented our "hold and test" policy, which means that since then, meat and poultry establishments have held FSIS-sampled product from commerce until the test results have come back negative. This new policy will help to prevent meat and poultry products that test positive for dangerous pathogens from reaching store shelves or consumers' tables. FSIS calculates that if this new requirement had been in place between 2007 through 2010, nearly 20 percent of the meat and poultry recalls that occurred during that time would have been prevented, because the product would not have been released into commerce in the first place.

The Centers for Disease Control and Prevention's (CDC) most recent Foodborne Diseases Active Surveillance Network (FoodNet) data shows that since the 1996–1998 baseline was established, significant headway has been made in reducing the incidence of foodborne infection caused by pathogens often associated with FSIS-regulated food. Unfortunately, the same cannot be said for illnesses caused by salmonella.

SALMONELLA

Our estimates of illnesses caused by salmonella from FSIS-regulated products mirror this trend, despite recent interventions and significant improvement in contamination rates measured by our verification testing. Reducing illnesses due to salmonella remains a top priority for FSIS. As long as people continue to get sick from food, we must ensure that our inspection activities align with food safety risks. A multifaceted effort will be necessary in order to achieve reductions in salmonella rates.

This past December, we advised establishments that produce ground and comminuted poultry products that they needed to reassess their Hazard Analysis and Critical Control Points (HACCP) plans in light of recent developments that could affect how they analyze the hazards the products present. Companies producing raw ground or comminuted poultry products will be required in their reassessments to account for several salmonella outbreaks that were associated with those types of products over the past few years. This reassessment will increase the likelihood that the establishments will effectively address the hazards these products present and thus better prevent foodborne illness.

We have also finalized a raw chicken parts baseline that targets reducing salmonella rates in other poultry products. This microbiological baseline study provides us with important data on the prevalence and quantitative levels of certain foodborne pathogens, such as salmonella, and other microorganisms.

To stay ahead of emerging risk and trends with salmonella, FSIS has charged its newly established Strategic Performance Working Group with identifying potential interventions or actions to decrease FSIS-attributable salmonellosis.

MODERNIZATION TO IMPROVE FOOD SAFETY

Another important method for preventing salmonella illnesses is to align inspection with risk by modernizing poultry slaughter inspection, which is why we announced a proposed rule that would focus inspection on areas of poultry production with the biggest impact on public health. Currently, FSIS in-plant personnel perform quality assurance tasks such as looking for visible defects, but they are unable to detect invisible pathogens and microbes this way. Therefore, FSIS would focus on critical food safety tasks, such as pathogen testing and verifying HACCP and sanitation standard operating procedures, and the quality assurance tasks would be turned over to the company. FSIS would continue to inspect every carcass, as required by law. We estimate that the new poultry inspection system would prevent at least 5,000 illnesses from salmonella and campylobacter each year.

The need for modernizing our food safety system is evident. As pathogens evolve, and as our scientific knowledge of what causes foodborne illness improves, we must ensure that our food safety system and our inspection process responds to these challenges. Scientific assumptions that were applied in the 1950s, when the Poultry Products Inspection Act was first enacted, are outdated, so we must ensure that our regulatory tools correspond with current knowledge.

This is why modernizing the poultry inspection system is so important. Updating our approach would help the Agency prevent foodborne illness more effectively and efficiently.

The implementation of the Public Health Information System (PHIS) also provides us with another important decisionmaking tool to enable us to protect public health more effectively, efficiently, and rapidly. This Web-based system integrates our data sources to support a comprehensive, timely and reliable data-driven approach to inspection. This approach allows FSIS to identify food safety threats and emerging trends more rapidly and accurately. In January 2012, FSIS completed a full implementation of the domestic component of the system, and we began implementation of the import component in spring 2012. In addition, FSIS completed a staggered implementation of PHIS to industry users last month and began implementation of the system to State MPI programs, which is expected to be completed by the end of this year.

Until we can ensure that no contaminated product is ever released into commerce, we must also align our in-commerce activities, such as traceback investigations, with risks. For example, FSIS is developing a proposed rule to require retail operations to maintain accurate grinding records of source materials and particular practices, which would greatly improve the Agency's ability to trace products from retail back to slaughter facilities.

TARGETING RESOURCES

In addition to improving food safety, we must be good stewards of taxpayer money, and that is why FSIS continues to examine ways to target resources where they can be most effective.

For example, we estimate that the previously mentioned modernization of poultry slaughter inspection would save taxpayers approximately $90 million over a 3-year period upon full implementation. FSIS also believes that participating establishments will see lower production costs resulting in a shared benefit to consumers and industry of about $250 million annually.

LEVERAGING RESOURCES

While our primary focus is preventing foodborne illness by ensuring that industry produces safe food, we can also improve food safety by collaborating with our Federal partners and educating consumers.

For example, we have met with our stakeholders to discuss ways that we can promote good pre-harvest practices that will reduce the likelihood of contamination at slaughter. We also work with our Federal food safety partners to share food safety expertise and best practices.

In addition to doing everything we can to ensure the safety of meat, poultry and processed egg products before they get to the store shelves, we feel it is also our responsibility to provide consumers with the tools they need to handle food safely at home.

That is why FSIS, CDC, and FDA teamed up with the Ad Council to launch a national public service campaign called Food Safe Families, which educates consumers about the risks of foodborne illness and how to prevent it. For an investment of $2.8 million over 3 years, the Ad Council has been able to run a national TV, radio, and print ad campaign worth an estimated $46 million through donated media.

To better reach consumers and ensure that our food safety messages are received by a larger audience, FSIS also utilizes various social and new media platforms to reach out about key food safety messages, such as recalls and safe food handling practices.

FSIS actively disseminates food safety messages through its virtual food safety expert, Ask Karen; Twitter; Facebook; Blogs; and YouTube. For example, the number of views of Ask Karen answers increased from 444,000 in fiscal year 2011 to more than 1.1 million in fiscal year 2012. The @USDAFoodSafety Twitter account had 332,600 followers at the end of fiscal year 2012, representing a 66 percent increase over fiscal year 2011. We are currently able to reach more than 390,000 followers with each tweet, and that number grows by about 2,000 weekly.

CONCLUSION

We are continually assessing whether we are doing our best to prevent foodborne illnesses in the most effective and efficient way possible. Government can deliver better than people expect, and we are committed to doing so.

We at the Office of Food Safety and FSIS are one team, with one purpose, working toward a common and extremely important goal. I am proud to lead the FSIS workforce in its mission to protect public health.

Thank you for the opportunity to testify before you today.

Senator PRYOR. Thank you.
Mr. Concannon.

SUMMARY STATEMENT OF KEVIN CONCANNON

Mr. CONCANNON. Thank you, Mr. Chairman and Ranking Member Senator Cochran, for this opportunity to present the administration's 2014 budget for the USDA's Food, Nutrition, and Consumer Services (FNCS).

I'm pleased to join you at a time when the economy shows promising signs of recovery. New jobs are being added each day, and caseloads in the Supplemental Nutrition Assistance Program (SNAP) are forecasted to decline.

Indeed, in some States, SNAP caseloads have already begun to drop. This news is encouraging, but I remain concerned that many families still struggle to put nutritious food on the table. The latest census data shows that almost 49 million Americans remain in poverty. And program data shows that families participating in SNAP are much poorer than those who participated 10 years ago.

Many of these poor families are in the workforce. Over the past 20 years, the source of SNAP households income has shifted from welfare to earnings. In 1991, 41 percent of all SNAP households received cash welfare and only 20 percent had earnings. In 2011, only 8 percent of SNAP households received cash welfare, while 31 percent had earnings. And 80 percent of SNAP participants who can reasonably be expected to work do so.

I'm pleased that these families have found employment, but I'm troubled that their income may not be sufficient to meet their needs. USDA is dedicated to reducing SNAP roles the right way, by helping clients transition to good paying jobs.

As we fight food insecurity and hunger, we're also tackling an unprecedented obesity epidemic that threatens our Nation's health, budget, and national security. Hunger and obesity are connected, and we're working to solve them both, too often in the same person.

The President's budget request reflects the ongoing need for nutrition assistance and the longstanding commitment of Congress and various administrations to fully fund the major programs. And it invests targeted resources to improve program integrity to support implementation of the Healthy, Hunger-Free Kids Act of 2010 with school equipment grants, and to modernize technology and build the foundation for WIC EBT.

I recognize that this request asks our Nation to entrust to us over $102 billion of taxpayer money at a time when resources are tightly constrained. I am profoundly aware of our responsibility to manage these hard-earned tax dollars with the highest accountability, efficiency, and integrity.

Through state-of-the-art technology and collaboration with law enforcement, FNCS succeeded in reducing the trafficking rate from 4 percent to 1 percent over the last 15 years. We have permanently disqualified the owners of thousands of retail stores for trafficking. And since trafficking involves both the retailer and the recipient, FNCS is working with States to identify clients with suspicious transaction patterns for further investigation.

Additionally, FNCS has successfully worked with States to reduce the problem of multiple card replacement. While many card replacements are legitimate, repeated and frequent requests for replacement cards may indicate fraudulent activity.

FNCS has encouraged States to warn clients with this suspicious behavior that they are being monitored. These efforts have reduced multiple card replacement card requests nationally.

Our strategies are working, but there's more to be done. While rare, fraud undermines public confidence and jeopardizes SNAP's ability to serve the struggling families who need it the most. We cannot and do not tolerate fraud.

Our budget includes additional resources for integrity-focused activities and related information systems to enhance integrity efforts across all of our programs, including the school meals and the WIC program.

This request also provides support to improve the eating habits of program participants. This past year, we've worked closely with our State partners to implement the Healthy, Hunger-Free Kids Act of 2010, including new science-based school meals nutrition standards that offer flexibility for schools while ensuring meals high in nutrients, adequate in calories, and reflecting appropriate portion size.

Almost all of us at every income level could improve our diets to better protect our health. The Center for Nutrition Policy and Promotion leads that effort to improve the diets of all Americans.

PREPARED STATEMENT

In conclusion, the budget fully supports the Nation's major nutrition assistance programs so that they can meet their missions while making smart investments, promoting integrity, and supporting a healthier future.

Thank you, and I look forward to your questions.

[The statement follows:]

PREPARED STATEMENT OF KEVIN CONCANNON

Thank you, Mr. Chairman, and members of the subcommittee for the opportunity to present the administration's fiscal year 2014 budget request for USDA's Food, Nutrition, and Consumer Services (FNCS).

I am pleased to join you at a time when the economy shows promising signs of recovery. New jobs are added each day and caseloads in the Supplemental Nutrition Assistance Program (SNAP), the cornerstone of the Nation's nutrition assistance safety net, are forecasted to decline. Indeed, in some States, SNAP caseloads have already begun to drop—Utah has seen a participation drop of 10.1 percent and North Dakota has seen a participation decrease of 12.9 percent from February 2012 to February 2013. This news is encouraging, but I remain concerned for the large number of families who still struggle to put nutritious food on the table. The latest data from the U.S. Census Bureau shows that almost 49 million families remain in poverty, and the U.S. Bureau of Labor Statistics reports that 11.7 million Americans are looking for work. Of particular concern, our own administrative data shows that the families participating in SNAP are much poorer than those 10 years ago; in 2011, 43 percent of SNAP recipients had gross income at or below 50 percent of the Federal poverty level and 33 percent had no net income. In 2001, 38 percent had gross income at or below 50 percent of the Federal poverty level and 18 percent had no net income.

Many of these poor families are in the workforce. Over the past 20 years, the source of SNAP households' income has shifted from welfare to earnings, showing that SNAP is serving as an important support for working families. In 1991, 41 percent of all SNAP households received cash welfare and only 20 percent had earnings. In 2011, only 8 percent of SNAP households received cash welfare, while 31 percent had earnings. Further, when you look at employment both before entering SNAP, as well as after exiting the program, 80 percent of SNAP participants who can reasonably be expected to work do in fact work. I am pleased that these families have found employment, but am troubled that their income is not sufficient to meet their needs. As we continue to ensure that working families can get the nutrition assistance support that they need, I am committed to improving work services for SNAP recipients through the employment and training program, which fills a critical gap in workforce training services and helps SNAP recipients obtain and retain jobs.

These circumstances underscore that while we are steadily recovering from the economic downturn, the nutrition assistance programs managed by the Food and Nutrition Service remain critically important to millions of low-income Americans. Programs like SNAP, the school meals programs, and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) help bridge the gap for families in need by preventing hunger or extreme economic hardship as they regain self-sufficiency.

At the same time we are fighting food insecurity and hunger in our Nation, we are also tackling an unprecedented obesity epidemic that threatens are Nation's health, budget, and national security. It is important to understand that these two problems, hunger and obesity, are connected. We are working to solve them both, too often in the same person.

The President's budget request for nutrition assistance reflects the ongoing need for these programs, and the longstanding commitment of Congress and various administrations over the years to fully meet anticipated funding needs for the major nutrition assistance programs. The budget also makes targeted investments to:

—Focus additional resources on program integrity and payment accuracy;
—Extend the enhanced SNAP benefits provided through the American Recovery and Reinvestment Act (ARRA) until March 31, 2014;
—Support implementation of the Healthy, Hunger-Free Kids Act of 2010 with school equipment grants; and
—Continue to modernize technology and build the foundation for WIC EBT.

IMPROVING THE WAY FEDERAL DOLLARS ARE SPENT

I recognize that this budget request asks the Nation to entrust us with over $102 billion of taxpayer money to maintain a robust nutrition safety net, at a time when resources across Government are tightly constrained. I am profoundly aware of the depth of this responsibility, and the imperative to manage these hard-earned tax dollars with the highest accountability, efficiency and integrity. Now more than ever, we must ensure that every dollar helps to feed a person in need, and is not wasted or misused, in order to maintain public confidence in the programs. I am committed to good stewardship, reducing inefficiency and increasing cost-effectiveness. USDA has reduced its costs through the Department's Blueprint for Stronger Service, which is modernizing and accelerating service delivery while improving the customer experience through use of innovative technologies and business solutions. FNCS has methodically reviewed its policies and procedures, maximized our limited resources, and saved Federal dollars by centralizing SNAP retailer operation functions. Reengineering the authorization process of retailers in SNAP into one nationalized, integrated structure provides stronger oversight, greater consistency, better communication, and improved quality of operations. This streamlining process consolidated 31 field offices in 28 States into a single national office. The newly formed national retailer management organization continues to take full advantage of available technology and improved policies and procedures to better fight fraud and protect Federal dollars.

Americans expect and deserve a government that operates with integrity and efficiency, and we are committed to fighting error and waste. Over the past decade, SNAP successfully reduced the payment error rate from 8.9 percent in 2000 to 3.8 percent in 2011—the lowest ever payment error rate in the history of the program. The result of the error rate reduction from fiscal year 2000 to fiscal year 2011 is a decrease in erroneous benefits of more than $3.67 billion had the fiscal year 2000 rate stayed the same for fiscal year 2011. However, we are not satisfied with this historic achievement and remain engaged and committed to collaborating with our State partners in order to identify additional strategies to improve the program's accuracy even further.

FNCS has also made substantial strides in reducing the prevalence of trafficking, the illegal selling of SNAP benefits for cash. We have strengthened procedures, established a stronger front-end retailer screening process, toughened sanctions, and acted to better hold retailers that violate program rules accountable. Through state-of-the-art technology and collaboration with law enforcement partners, FNCS succeeded in reducing trafficking from 4 cents of every benefit $1 to about 1 cent of every benefit $1 over the last 15 years. Along with these efforts, FNCS permanently disqualified the owners of 8,300 retail stores for trafficking during the last 10 years, and sanctioned or disqualified the owners of almost 2,100 stores in 2012 alone.

Since trafficking involves both the retailer and the recipient, FNCS is working with State agencies to identify client households that have suspicious transaction patterns for further investigation of potential recipient trafficking violations. In fiscal year 2011, State agencies conducted nearly 798,000 fraud investigations and disqualified over 46,000 individuals for intentional program violations. Additionally, FNCS has focused on and successfully worked with States to reduce the number of multiple replacement cards requested by each household. While many replacement requests are legitimate, repeated and frequent requests for replacement cards may indicate fraudulent activity. I am happy to report that the majority of States now use the model letter as a trigger to warn clients with this suspicious behavior that they are being monitored; these efforts have resulted in a reduction in multiple replacement card requests nationally.

Our strategies are working, but there is more to be done. While rare, fraud undermines public confidence and jeopardizes the ability of SNAP to serve the tens of millions of struggling families who need it the most. Despite these achievements, any amount of fraud cannot be allowed in a program that is the cornerstone of our efforts to reduce food insecurity. We cannot and do not tolerate it. Our budget includes additional resources for integrity-focused activities and related information technology systems to enhance our program integrity efforts further. Fraud is not a static. FNCS and our State partners must remain vigilant, ready to identify those few bad actors that try to exploit the program in new ways and ready to make the necessary technological or systems changes that will thwart those efforts.

FNCS is committed to ensuring the integrity of all of our nutrition assistance programs. We have been working to reduce improper payments in the school meals programs for several years, while making sure that these efforts do not compromise access for low-income children or unduly burden schools. We continue to implement new program integrity tools provided by the Healthy, Hunger-Free Kids Act of 2010. We are restructuring and increasing the frequency of oversight program reviews, strengthening direct certification, and implementing rules that provide additional oversight and integrity tools for the schools meals program. Direct certification not only reduces administrative costs for schools, but also reduces the burden on eligible families. FNCS has provided States with extensive technical assistance and grants to improve direct certification systems to certify children receiving SNAP for free meals without an additional application from their families.

FNCS is also committed to ensuring program integrity in WIC. Nationwide data show that payment accuracy is relatively high in WIC—certification errors were approximately 3 percent and vendor charging errors were about 1.1 percent of food spending. But as with the other programs, no level of improper payments is acceptable. When WIC vendor management problems were discovered in a few States last year, we took quick, decisive action, investigating these issues thoroughly and working to develop solutions that did not impair program operations for clients. FNCS continues to monitor these States to ensure the problems are resolved.

PREVENTING HUNGER AND SUPPORTING HEALTHY EATING

This budget request sustains the nutrition assistance safety net and provides support to improve the eating habits of participants in its programs and of all Americans. The support of healthy eating is perhaps best observed in our implementation of the provisions of the Healthy, Hunger-Free Kids Act of 2010. This past year, we have worked closely with our State partners to implement new science-based school meals nutrition standards that provide meals high in nutrients, adequate in calories, and reflecting appropriate portion sizes to help children lead healthy lifestyles. Some schools have implemented these changes with ease, such as those that were already following approaches similar to the new nutrition standards, while other schools have had to make greater changes to improve the nutrition quality of meals they provide each day. FNCS has provided extensive technical assistance to these schools, including offering increased flexibilities as the schools make this important transition.

The Department also recently published a proposed rule implementing new authority to set nutrition standards for foods sold in vending machines and a la carte lines in schools. In the coming years, FNCS will develop educational and training standards for school nutrition professionals and will help schools strengthen their local wellness policies.

Additionally, FNCS works to help improve the diets of all Americans. Almost every household in this Nation—of any income level—could make substantial improvements in their diet to better protect their health. The Center for Nutrition Policy and Promotion (CNPP) works hard to provide Americans with information and tools to make their food and physical activity choices more consistent with the Dietary Guidelines for Americans. We are pleased with the success of the popular Web site, MyPlate SuperTracker, which allows all Americans to track their food intake, physical activity, and weight online. More than 2 million people regularly use the program. MyPlate SuperTracker uses the new MyPlate icon, which prompts consumers to think about building a healthy plate with fruit, vegetable, grains, proteins, and dairy food groups.

The mission of FNCS provides us with a powerful opportunity to promote healthy diets, physically active lives, and healthy weights for those we serve. Our strong commitment to improve the health of Americans can be found in our work with MyPlate, which educates Americans about healthy diets, and in our nutrition assistance programs, which provide eligible low-income families in need with access to healthy foods. The efforts of the Food and Nutrition Service (FNS) and CNPP thus complement each other; both are critical to the health and future success of our people.

Let me turn now to a few highlights of the budget request.

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

The President's budget requests almost $78.4 billion for SNAP, enough to serve an average of 44.7 million people each month in fiscal year 2014. This is a projected 2.4 million person decrease from the number of participants estimated for fiscal year 2013. We've included a proposal in this year's budget to extend the Recovery Act portion of the SNAP benefit for an additional 5 months until March 31, 2014. We currently estimate that on November 1, a family of four will see their SNAP benefit reduced by about $37. This proposal will enable SNAP to continue to provide an enhanced benefit to low-income American families as they continue the effort to get back on their feet.

In addition, because rooting out fraud, waste and abuse is a top priority for this administration, the budget builds on our current program integrity efforts by seeking additional funds to invest in compliance specialists, investigators, quality assurance and data mining efforts as well as more frequent integrity reviews, management evaluations and fraud investigations. Fraud and trafficking—and even unintentional errors that allow SNAP assistance to be provided to households that do not need it—risk undermining the credibility of the program and distract attention from the real needs of low-income Americans who turn to SNAP to put food on the table.

The budget also fully supports authorized food purchases for The Emergency Food Assistance Program (TEFAP). Local food banks, soup kitchens and food pantries have seen increased demand for food assistance, and TEFAP plays a critical role in ensuring that these organizations have a stable source of food and administrative funds to get food to those in need.

CHILD NUTRITION PROGRAMS

The budget requests about $20.5 billion for the Child Nutrition Programs, to assist State and local governments in serving nutritious meals to children in public and private schools, child care institutions, and summer recreation programs. The budget renews a request for $35 million to provide school meals equipment grants to school districts to purchase the equipment needed to serve healthier meals as required by the Healthy, Hunger-Free Kids Act (HHFKA), improve food safety, and expand access. The need for updated equipment is great; FNS has received requests totaling $600 million from States and school districts around the country and the current budget request will be an important step toward addressing this need. These equipment grants also support the establishment or expansion of the School Breakfast Program since our prior experience shows that lack of adequate kitchen equipment is a prime reason why many schools are not able to initiate or expand their breakfast programs. The budget also includes a request for $3 million in increased resources for Child Nutrition integrity efforts including support for State integrity efforts and technology solutions to local program management and monitoring challenges.

WIC

The President's budget includes over $7.1 billion for the Special Supplemental Nutrition Program for Women, Infants and Children, or WIC, to ensure that all eligible persons seeking to participate can be served. The request will allow local communities to provide food, nutrition education and a link to healthcare to 8.9 million women, infants and children expected to participate in the program in an average month. The budget request also includes $30 million to continue the work with State agencies, food retail vendors and the payments industry to implement WIC EBT nationwide by 2020. Recognizing the established benefits of breastfeeding for mothers and infants, the budget sustains the investment in breastfeeding peer counseling at $60 million. The budget also maintains a $125 million Contingency Fund and includes an additional $5 million in Federal Administration and Oversight for additional program integrity efforts including providing direct technical assistance to States on vendor management, monitoring competitive price criteria and maximum allowable reimbursement rates; performing in-depth, targeted reviews of high-risk program areas; and development of model software to assist State agencies in preventing and identifying program abuse.

COMMODITY ASSISTANCE PROGRAM

The President's budget includes $272 million for the Commodity Assistance Program, including an increase of almost $16 million for the Commodity Supplemental Food Program (CSFP). Funding for CSFP continues to support the current caseload by providing supplemental food assistance to many low-income seniors and others struggling to meet their monthly food needs. The request also includes over $51 million for The Emergency Food Assistance Program (TEFAP) administrative costs. This funding enables hundreds of regional food banks, soup kitchens and food pantries to provide food to families who need it. Of the $51 million requested, $2 million would fund oversight activities such as management evaluation reviews and technical assistance for State and local TEFAP operations, to help ensure that program funds are being spent in accordance with law and regulation.

NUTRITION PROGRAMS ADMINISTRATION

Finally, the President's budget requests $146.6 million to fund Nutrition Programs Administration and the Center for Nutrition Policy and Promotion. The request includes $2 million to complete phase I of developing unified, Federal dietary guidance for infants and very young children from birth to 2 years of age. To date, the Dietary Guidelines for Americans have focused on Americans over the age of 2 because of the complexity of assessing the scientific evidence on the dietary needs and health outcomes of children in this age group. However, in light of emerging science on the importance of early nutrition on long-term health outcomes, unified Federal guidance is needed. The budget request also includes $2 million for promotion of the Dietary Guidelines and MyPlate.

In conclusion, the President's budget supports the Nation's nutrition assistance programs so that they can fulfill their vital missions and provide benefits to eligible families who wish to participate. This budget makes smart investments that will improve the way Federal dollars are spent, while avoiding waste and focusing on program integrity. It also focuses resources on promoting better eating choices, both among program clients and the general population, to support a healthier future. I look forward to your questions.

Senator PRYOR. Thank you and we're not going to ask Mr. Young to say anything, but you're welcome to if you like to.

Mr. YOUNG. I'm fine, thank you.

Senator PRYOR. You'll stay right where you are?

Okay, listen, I have several questions for each of you, so I'll just jump right in. And we'll do 5-minute rounds, and then Senator Cochran I know has lots of questions as well.

RESEARCH FUNDING

Let me start with Dr. Woteki, if I may. I'll say I was pleased to see the funding increase request for NIFA. We're the world leader in agricultural production, and the demands on the industry are growing. We're being far outspent by China, India, Brazil, and others, when it comes to agricultural research. If we want to remain the world leader, we need to keep up our game.

While competitive funding is an important tool, capacity funding at our land-grant universities is equally important. Unlike competitive research, it provides a steady stream of revenue to allow a wide range of real-time, real-world research that can solve local and regional problems immediately and can be disseminated through the extension service to make that research effective when it's implemented.

Our land-grant universities have provided the bedrock support that has made our agricultural research system the envy of the world and helped position the United States to be the world's largest food exporter.

Now some of the benefits that go along with this are lower transaction costs, increased relevancy for local stakeholders, assurance of broader distribution of funds, more diverse agricultural landscape, lower overhead, consistent support for core base and foundation research.

So, in addition, and one last thing, these funds are often highly leveraged with State and local governments often putting in as much as 10 times as much to do matching and to help maximize the effectiveness.

So, Dr. Woteki, I know you know this. I know you understand the value in the formula grant programs, even though the budget doesn't provide an increase for that. So why isn't the research increase provided in USDA's budget split between competitive and formula programs?

Dr. WOTEKI. Well, Mr. Chairman, we do agree with you on the importance of having a balanced portfolio of capacity and competitive funds. And the budget, we believe, expresses that continued commitment to have a balanced portfolio.

Our emphasis on increasing the competitive grants program is based on a series of studies and recommendations that have been made over the last decade-plus, the most recent one from the President's Council of Advisors on Science and Technology, which was issued in December of last year. And these studies have recommended that in our portfolio of agricultural research we should be changing that balance to include a greater proportion in the competitive grants area.

So this budget is reflecting that outside advice that has come through this most recent President's Council of Advisers on Science and Technology, as well as other studies that the National Academy of Sciences has done.

FSIS FURLOUGHS

Senator PRYOR. We may have some follow-up on that in a few minutes, but, first, I wanted to ask Dr. Hagen about the FSIS, which is something that Senator Blunt and I worked on recently to make sure that we found some funding to make sure there were going to be no furloughs and layoffs, et cetera.

Can you provide assurance to the subcommittee that no FSIS inspectors will be furloughed in fiscal year 2013, and that plant operations will not be impacted due to any lack of inspectors onsite?

Dr. HAGEN. Thank you. Thank you for your question, Mr. Chairman.

And I'd like to take this opportunity to thank you and Senator Blunt for coming to our assistance in that situation. We are very grateful.

And yes, I can assure you that the supplemental funding that we received is going to be adequate to avoid furloughs for the workforce. And therefore, the economic impacts that would've been attached to those furloughs will not be incurred by the regulated industry.

WIC BUDGET

Senator PRYOR. Right. That's great news.

Mr. Concannon, the budget includes a total of $7.1 billion for WIC. Will this amount fully fund the anticipated participation?

Mr. CONCANNON. Yes, Mr. Chairman, the amount funded in the budget will fully fund WIC. As the chair and members of the subcommittee may be aware, WIC now serves in excess of 50 percent of American infants in the first year of life, and nearly as many births.

We anticipate next year, this budget is based on a forecast of 8.9 million participants each month, and the budget will fully fund the WIC program.

WIC PARTICIPATION

Senator PRYOR. Okay, so, given the, I guess I'd say volatile nature of this program, I guess you can say that, are you concerned that food prices or participation will increase over the next several months?

Mr. CONCANNON. Mr. Chairman, we have been working with State agencies across the country, urging them to particularly review their food packages in an effort to make sure they are fully availing themselves of efficiencies, and we have been seeing the effects of that in a lowered average food cost package.

For example, we're urging States not to reduce the amount of calories or the food groups, obviously, available to these moms or their children, but rather to look at, for example, moving from name brand, for example, whole grain breads to generic brands or house brands, which we have seen in some States make a considerable difference in the average food package cost.

WIC CONTINGENCY RESERVE

Senator PRYOR. Okay. And I've noticed also that the budget includes an increase of $50 million for the WIC contingency reserve. Do you anticipate using any of that reserve in this fiscal year?

Mr. CONCANNON. Yes, Mr. Chairman. We anticipate relying upon that contingency reserve to get through this year. That's why the request is there for the contingency reserve for next year. It will be necessary.

Senator PRYOR. Do you know how much of that you will use?

Mr. CONCANNON. I don't off the top of my head. I know that the $50 million is needed for next year, but I don't know how deep we're going to have to go this year.

IMPACT OF SEQUESTRATION ON WIC

Senator PRYOR. And what impact has sequestration had on WIC, if any?

Mr. CONCANNON. Well, earlier, the earlier forecast would've been an impact on 600,000 participants, between sequestration and the budget that was enacted. But we have been able to—with additional resources provided, are assured that we can serve all of the caseload this year without reductions.

Senator PRYOR. Okay.

Senator Cochran.

CHILD NUTRITION PROGRAMS

Senator COCHRAN. Mr. Chairman, it's a pleasure to join you and other members of the subcommittee in reviewing the budget request that will provide funding for food safety, research, nutrition, marketing, regulatory mission areas of the Department of Agriculture. That's a lot of stuff to keep up with and to monitor and administer in a fair way.

We were talking about food programs in the schools, and I couldn't help but remember back when my father was a principal of a small school in North Mississippi when I started school. And inevitably, there would be some children that didn't have lunch money that would be turned into the classroom teachers at the beginning of the week, and tickets could be bought to go through the lunchroom line. It was a soup and sandwich program, really, and totally locally administered and managed and funded through contributions either from the students themselves who could afford to contribute at very modest amounts to go through the line.

Anyway, we've come a long way since that, and I'm glad we're beyond that stage in our history, and we have programs now whose intent and purpose is to provide access to nutritious lunch programs in schools.

And my question is, is there something that we need to be doing that we're not doing to help achieve these goals? Are there weaknesses in the way the programs are operating or do we need to provide additional funding earmarked—oh my gosh—for certain special attention, if that's required?

Mr. CONCANNON. Well, Senator, the Healthy, Hunger-Free Kids Act authorized and funded by Congress has made a huge leap forward in terms of assuring that American children, not only the 32-plus million that participate in the National School Lunch Program, but all American schoolchildren, nearly 50 million, will be affected by that Healthy, Hunger-Free Kids Act.

Where there remains real challenges, as I've traveled the country, is in the equipment available to schools across the country. The President's budget request is for $35 million for equipment grants. The stimulus fund of several years ago authorized $100 million for schools across the country. We received $600 million in requests.

As we've traveled to schools, particularly heating equipment and cooling equipment—schools for the most part have set aside those deep fryers and so on for deep-frying foods. They're using convection ovens. They're serving healthier foods.

And I would say the challenge for schools across the country, beyond the reimbursement provided in this bill for school meals, which is adequate, is really going to be in the equipment, the capital equipment area. And that's why there is a request for $35 million this year.

Senator COCHRAN. Thank you.

Thank you, Mr. Chairman.

Senator PRYOR. Thank you.

Senator Udall.

Senator UDALL. Thank you, Mr. Chairman.

And it's good to see Mr. Ed Avalos here, a fellow New Mexican, and I know very popular in our State and a real credit to the Department.

So good to see you here today, Ed.

COUNTRY OF ORIGIN LABELING

As you're very well aware, I've been working since I've been in the Congress, both the House and the Senate, on the COOL issue. I was wondering if you could bring us up to date on that. Is the USDA on track to get the rule to modify country of origin labeling provisions finalized by May 23? And can you share with the subcommittee what kind of input you receive from producers on the proposed rule?

Mr. AVALOS. Absolutely, Senator Udall. Before I answer your question, I just wanted to comment. I got calls this week that we're actually getting rain in New Mexico.

Senator UDALL. The next question was going to be about drought. Good to hear, so go ahead. Yes, that's very exciting, especially when we're in this exceptional drought situation for a big chunk of the State and also extreme drought for other parts of it, so it's a very difficult situation.

Mr. AVALOS. Well, as you know, we did publish a proposed rule. The proposed rule had labeling requirements that had to show the production steps to identify where the animal was born, where it was raised, and where it was slaughtered.

The comment period closed, I think it was April 11. We received hundreds of comments. And I just want to assure you that we do plan to move forward with a final rule before the deadline of May 23.

Senator UDALL. Great, thank you very much.

DROUGHT MITIGATION RESEARCH

And Under Secretary for Research, Education, and Economics, you've heard me talk a little bit about the drought and New Mexico's situation. I'm wondering if you could share with the subcommittee the ways in which your mission area is currently helping producers face water and drought challenges, and share your vision of how these efforts can be increased in the future. How does the President's fiscal year 2014 budget reflect this need for new ideas and research on dealing with water scarcity?

Dr. WOTEKI. Senator Udall, one of the themes that runs through our current research priorities is building resilience into agricultural systems, cropping systems or livestock systems. And in that concept of resiliency is how do we make the best use of water resources; how do we develop new crop varieties that are going to be able to sustain too much water or too little water, depending on what time of the season it may come; and also how to build in disease resistance and pest resistance at the same time. So water is a central focus of our research priorities.

And the way that we're addressing it is through a combination of research programs to develop livestock systems and cropping systems with the resiliency to drought as well as to flooding conditions. Doing economic analysis is going to be helpful to farmers to understand what the impacts of this most recent drought has been, as well as future perspectives. And to work with the cooperative extension and our land-grant university partners to get information that's coming from research programs, whether it's the intramural program at ARS or work that's being funded at the land-grant universities, and to get that information into farmers' hands, so that they can be making the best choices on seed purchases for an upcoming planting season, based on the projections of weather conditions for that region. So it's kind of a package of activities.

And we've also been using a lot of forecasting and remote-sensing information, cooperating with our partners in the National Oceanic and Atmospheric Administration (NOAA) to provide more information in easily accessible forms like our drought Web pages that have received, literally, tens of thousands of visits, so it's a package approach.

Senator UDALL. That's a good approach. Thank you both for your answers and really appreciate the service of all of the panel members. Thank you.

I yield back, Mr. Chairman.

Senator PRYOR. Thank you.

NATIONAL POULTRY IMPROVEMENT PLAN

Mr. Avalos, let me start with you, if I may. The National Poultry Improvement Plan (NPIP) for almost 70 years now has been recognized as the gold standard here and around the world when it comes to poultry disease control.

Are you aware of any proposed changes to the governance, structure, or mission of NPIP that would jeopardize USDA's avian influenza surveillance in commercial poultry, the continued indemnification of poultry workers in case of a disease outbreak, or make more difficult to U.S. ability to meet all appropriate World Organization for Animal Health standards?

Mr. AVALOS. Mr. Chairman, I just want to emphasize that avian health is very important to us at APHIS. Just last week, we had representatives from the poultry industry that came in to visit with us. They talked about the National Poultry Improvement Plan and how important it was to them.

And I just want to emphasize that we feel that the National Poultry Improvement Plan is a model, really a model for the world. It demonstrates tremendous cooperation between the State and Federal Government and the poultry industry. And we are going to fully support it in 2014, just like we do today.

On surveillance, the budget cuts that we have would not impact whatsoever on surveillance. It's a top priority for us, and we are going to maintain the same level of surveillance for the poultry industry.

Senator PRYOR. Okay. So you don't anticipate any changes at all that will hurt your ability to do that?

Mr. AVALOS. We do not.

Senator PRYOR. Great.

POULTRY SLAUGHTER MODERNIZATION

And let me go ahead and jump back to Dr. Hagen, and let me just say the Department is continuing to move forward with the implementation of new methods of poultry inspection. And we appreciate the USDA, that it has piloted and analyzed these procedures at a variety of plants for some years.

If you could discuss with us the results of your analysis of the pilot, particularly to provide assurances that food safety will be improved, and worker safety, both inspectors and plant employees, will not be impaired.

Dr. HAGEN. Thank you for your question, Mr. Chairman.

And I just want to be clear when I start that we are not yet moving forward. This is a proposed rule. We don't have a final rule. And obviously, we can't really predict the outcome of notice-and-comment rulemaking.

This is an opportunity, a rare opportunity, the regulatory agency has to actually move our mission forward, which is to protect consumers and to reduce illnesses. While we do this at greater efficiency and while we are better stewards of taxpayer dollars, often we find that in order to do something better, it costs more. And in this case, we're finding a way to do it more efficiently.

We also find that there are real, tangible benefits beyond the food safety for consumers and for the industry in the way of shared financial benefits.

So this is a top priority for us. We have been inspecting poultry for the same way basically since the 1950s, so we've got to do better.

So we started with the premise that we need to be focused on the things that matter most for food safety, that the things that we knew about in the 1950s were not the things that we should be focused on now. We started with a very common-sense premise. We took a look back at our experience. We've been engaged in a pilot program since 1998 in 25 establishments, three of which are in your State, Mr. Chairman, or three of which are in your State. I think two are in your State, Senator Cochran.

And we looked at a series of performance standards that were set from the beginning of that pilot program, everything from visible defects and contamination rates in comparison plants versus pilot plants, to bacterial contamination rates. And across-the-board, we found that the plants in the pilot actually were doing better when it came to these performance measures.

So we found that we had not only an equal level of consumer protection but an enhanced level of consumer protection.

We then went ahead and analyzed what we thought would happen if we implemented this across the board, so we did a quantitative, peer-reviewed risk assessment, an internationally accepted tool for supporting public health policy. And we asked how many illnesses will be reduced if we take these people off of these tasks on the line, and we have them do more of these tasks over here. And we found that, at minimum, 5,200 illnesses per year would be prevented simply by changing where our inspectors are focused and the tasks that they are performing.

Those assessments didn't include additional interventions that might be employed by the industry. They didn't include additional data that we anticipate gathering on Campylobacter as we implement our verification program there.

So I think this is a real opportunity for us. We have the data to prove that we're headed in the right direction. And we look forward to hopefully finalizing this proposal.

Senator PRYOR. And I guess my next two questions are, why is it not already final, because you've been working on this for a long time, and it seems like the evidence is steering you in that direction? So why is it not already final? And then, when do you think it will be final?

Dr. HAGEN. We don't control the timetable for all of notice-and-comment rulemaking. We have a piece of that. We really value the public input, that's a cornerstone of the notice-and-comment rulemaking process.

So we received thousands of comments about this rule. There are a lot of opinions from multiple different perspectives, and we have an obligation to actually consider and address every single one of those opinions that has been expressed to us.

So that's the process that we have been engaged in.

We've also been trying to make sure that we are focused to the extent that we can on worker safety issues. We know what the limits of our expertise are. We know what the limits of our authority are. We know the leadership in the administration that has that expertise, at the Occupational, Safety, and Health Administration (OSHA) and at the National Institute for Occupational Safety and Health (NIOSH), and so we've been focused on whether there is some ability for us to facilitate better data-gathering by those entities and to support them as they make worker safety policy. So we've been focused on that to some extent.

But we are in the process of preparing the final rule, and we hope to get it through the interdepartmental review process very soon.

POULTRY INSPECTOR POSITIONS

Senator PRYOR. Do you have a sense of if, once the rule becomes final—you might not be able to answer this yet. But do you have a sense of how many fewer poultry inspectors you'll need in the system?

Dr. HAGEN. Over time, we anticipate that there will be 500 to 800 fewer positions, on-line positions. I want to be clear that we aren't eliminating individuals' jobs. We have a plan for every inspector to have an opportunity to take a different position in the agency.

We actually have a significant amount of attrition every year in the inspection workforce, so we're going to be managing this through simply not filling, backfilling vacancies as they come about.

AQUACULTURE

Senator PRYOR. I want to ask something, if I may, to Mr. Avalos, and this is something that both Senator Cochran and I have in our States, and that is aquaculture.

Since APHIS's Wildlife Service has reduced funding for aquaculture, it's my understanding that on-site visits to fish farms in most States have been stopped. These visits, among other things, are an extremely important part—in fact, a central part of the process for farmers to apply to the U.S. Fish and Wildlife Service Migratory Bird Depredation Permit.

Can you look in to this matter and make sure that our fish farmers will be able to protect their products? And also, would you support a budget line item that will prevent aquaculture funding from being taken away in future years?

Mr. AVALOS. Mr. Chairman and Ranking Member Cochran, first, I want to say that at USDA, we really appreciate the importance of aquaculture industry to the United States, and the importance it has to the rural communities, especially in the South. I personally am very familiar with the catfish industry. And I understand and I acknowledge a lot of the difficulties they've had in the marketplace with depressed prices.

In fact, last year, we did a section 32 buy for catfish. We removed $10 million worth of catfish from the marketplace. This year, we're looking at another section 32 buy for catfish.

So first of all, I want you to know we're not abandoning the aquaculture industry, whatsoever. Just with the budget cuts, we did have to prioritize. We only have so much money to go around, and we did have to cut aquaculture. But I want to emphasize that we still have the research facility in Mississippi. It's a very, very important component at USDA.

And our Wildlife Services people will still be able to verify bird damage, and we'll still be able to help producers obtain the depredation permits.

Senator PRYOR. Yes, I think the way it's worked up to this point is pretty much that person has to come out on the farm and there's various things, information that's shared and data that's gathered and whatnot. And that's been an essential part of getting those permits. So we just need to make sure that if the visits stop, that the permitting process doesn't stop.

Mr. AVALOS. I understand that very well, Mr. Chairman, absolutely.

Senator PRYOR. Thank you.

SNAP CONTINGENCY RESERVE

Next, for Mr. Concannon, the budget proposes an increase of $2 billion for SNAP contingency reserve. If participation is expected to decrease slightly, why are you asking for an increase in reserve?

Mr. CONCANNON. Mr. Chairman, the request this year in this budget is for a $5 billion contingent, contingency fund, which is approximately 1 month of benefits. This year, we are reliant upon $2.7 billion in contingency to get through the year for SNAP. And we're able to accommodate that this year. But the request for that increase in the contingency fund next year recognizes that it's about 1 month of benefits and that we want to be assured that we can successfully get through the next year.

Senator PRYOR. But am I correct that you think participation is expected to decrease?

Mr. CONCANNON. Yes, Mr. Chair, where the budget forecasts a 2.4 million reduction based on again, as I mentioned in my testimony earlier, we're seeing signs already in about eight or so States of reductions year to year, looking back over the past year. So I anticipate that reduction, that proposed budget forecast, the 2.4 million average participation reduction.

Senator PRYOR. Does that translate into a guess that you will not need the reserve amount this fiscal year?

Mr. CONCANNON. We will need $2.7 billion that is moved forward from last year for this current year.

Senator PRYOR. You think you'll use that? You'll actually use the $2.7 billion?

Mr. CONCANNON. Yes, sir.

Senator PRYOR. All right, let me ask Dr. Hagen another question, this time about the hazard analysis and critical control points. I know that you have been working with several interested parties on the HACCP plan reassessment for not-ready-to-eat poultry products. I don't have a question really, I just want to encourage you to continue those good faith discussions and want you to know that if I can be of assistance in that, I want to try to help on that, if I can.

DALE BUMPERS SMALL FARMS RESEARCH CENTER

Again, Dr. Woteki, let me ask you about a facility in Arkansas, the small farm center in Booneville, actually named the Dale Bumpers Small Farms Research Center. And I talked to the Secretary about this last week, and I'm not going to go through all the details of it, but basically, I'm just going to assume that the reason the funding is the way it is in this budget, or the lack of funding, is just because of the unusual timing of the request. And I just mentioned to Secretary Vilsack last week, but it does bear repeating, that I don't intend to close Booneville ARS lab in this bill, so as we're working on things for next year, I hope we'll take that possibility off the table and just continue to work on that.

But I do have a question about the ARS extramural human nutrition centers. We have one in Arkansas. It's at the Arkansas Children's Hospital. And it's unique among the human nutrition centers at ARS, and it is housed within Arkansas Children's, as I mentioned. And I would just like in another setting to visit with you about that funding, what makes it unique, and make sure that we all understand what's going on there with the ARS system and, hopefully, continue that funding.

Dr. WOTEKI. We'd be happy to do that, Senator.

AGRICULTURAL RESEARCH SERVICE ASSESSMENTS

Senator PRYOR. Thank you. And also, Dr. Woteki, I'm really not trying to pick on you. I just have a few questions for you.

But in the ARS budget, the budget itself, as you know, is—let's be kind and say it's somewhat difficult to navigate. Can we just say that? That it's a hard budget to understand, and it's difficult just to get your hands around. And I'd like to find a better and maybe simpler way to improve it or at least make it more transparent.

And without a line item for administrative expenses, can you please discuss the different types of assessments that might be levied on your various research locations as well as on your extramural cooperators, and why they would ever vary from one location to another?

Dr. WOTEKI. To answer the first part of your question about what are the types of costs that are in the overhead that ARS is charging against all of its locations, we have a centralized administrative and financial management unit that's responsible for human resources, for contract activities, for all of our financial oversight and management. And so all of those costs are built in to the overhead.

We have had, as you point out, some extraordinary problems over the last 3 years. The total budget cuts that have come to the mission area are approaching 20 percent. And in 2012, we were implementing the closures of 12 programs within ARS that were located at 10 different locations that required the closing of those 10 locations.

The costs that are associated with that have to be taken, and ARS imposed an additional levy on all of its facilities in order to manage that one-time cost associated with closure of facilities. So that was another source of the overhead costs that you're referring to in 2012.

Senator PRYOR. I think what we'd like to do is, I'd like to get a better understanding of how that works. I know it's hard to follow and hard to understand, and maybe there are ways that we can improve it. Sometimes you need to be careful of what you ask for, but hopefully, maybe we can find ways to improve it and make sure that we're doing our role here and doing some oversight and making sure it's working as it should.

Let me turn it over to Senator Cochran, he has a few more questions.

Senator COCHRAN. Mr. Chairman, thank you.

CATFISH INSPECTIONS

In connection with the inspection programs, I wonder what is the status of our effort to increase the effectiveness of our inspection of domestic fish production.

The catfish industry is very important in some Deep South States now. And there's concern that even though we have authorized and provided funding, which we hope would be used by the Food Safety and Inspection Service to assure that supplies of catfish that are being produced in several southern States now, and maybe others too, are fit for human consumption and are safe to eat.

What is the status of our effort to make sure we're meeting the challenge of the catfish inspection and grading program?

Dr. HAGEN. I'll take that question, Senator. I know how important this is to you. I remember that you and I visited about this issue when I was coming up through confirmation, and I remember that we visited again in your office as we were getting close to a proposed rule. So I know how important this is for you and for the producers in your State. And I understand the frustration with the delay.

I think it has turned out to be more complicated than we thought it would be. I am committed to trying to get this out, getting a final rule out by the end of the fiscal year. And as I alluded to earlier with the chairman, sometimes there are pieces of that timetable that we don't control. But our staff knows that this is a priority, and I look forward to visiting with you about a final rule.

Senator COCHRAN. Thank you very much. We appreciate your good efforts.

Senator PRYOR. Thank you, Senator Cochran.

ADDITIONAL COMMITTEE QUESTIONS

And with that, we have other questions that we're going to submit for the record. And I know that some of our colleagues who could not join us today will have some questions. So I would like to thank all of our panelists today, all of our witnesses for being here, and tell you how much I appreciate your time and your testimony, and all the follow-up that will come with it.

I also want to give a special thanks to Senator Cochran. Thank you not just for being here today but for all that you've done for American agriculture.

So for all of the members of the subcommittee, what we're going to do is we'll leave the record open for 1 week, which is Thursday, May 23. And we would appreciate if you would get your questions in as quickly as possible and then get it to USDA. We'll try to get those back as quickly as we can as well.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO ED AVALOS

QUESTIONS SUBMITTED BY SENATOR MARK L. PRYOR

PLANT AND ANIMAL PESTS AND DISEASES

FERAL SWINE

Question. Mr. Avalos, the Animal and Plant Health Inspection Service (APHIS) is responsible for controlling domestic plant and animal pests and diseases, and guarding against the introduction of new threats from foreign sources. This budget seeks a substantial increase in funding to address the spreading feral hog problem, but cuts funding for other established, but uncompleted, programs (such as the cotton pests program, emerald ash borer, and chronic wasting disease).

Feral hogs are a growing menace, and pose substantial health and economic risks to agriculture and rural areas. But, how do you evaluate the relative threats of pests and diseases, and determine that for this budget feral hogs pose the most immediate or potentially costly menace?

Answer. APHIS continues to evaluate its existing animal and plant health programs to determine the best use of resources. For example, the longstanding Cotton Pests program remains a priority for the agency but we have proposed reductions due to the progress made over the years toward eradication. As of the end of fiscal year 2012, we have eradicated the boll weevil from 98 percent of 16 million acres of U.S. cotton and pink bollworm from 99 percent of infested cotton acreage. APHIS has also proposed reductions for other programs because we are unable to make progress, such as in addressing the emerald ash borer where tools to control the pest do not currently exist, or because the States and industry are in a better position to address the disease, such as where States have implemented herd certification programs for the detection and prevention of chronic wasting disease. In addition, for pest and disease programs that have been in place for many years, and where State and local partners directly benefit from the program activities, it is expected that all parties share in the cost of the program.

Feral swine pose a growing threat and we do not currently have a coordinated effort to address the problem. The expanding range and increasing population of feral swine are significantly affecting animal and human health; crops and livestock;

rural, suburban and even urban areas; and natural resources, causing an estimated $1.5 billion in damages annually. The sooner we can begin a broad scale program, the more likely we can minimize further expansion and damage, and minimize expenditures, program duration, and ecological impacts. We have an opportunity now to resolve an economic and public health problem before the swine population is too large and too distributed to contain. In addition, our plan to reduce feral swine is strongly supported by a broad array of Federal and State, and tribal partners.

RESOURCE FLEXIBILITIES

Question. Please describe the flexibility that you have to address new and emerging threats during the year.

Answer. APHIS' budget is structured by commodity group, such as Cattle Health and Specialty Crop Pests. The structure provides the agency the flexibility to prioritize existing as well as new and emerging threats within each of these commodity groups and adjust resources as necessary throughout the year. APHIS works with its partners to develop an action plan for addressing the various threats, including the estimated resources to be provided by each party. When a new or emerging threat requires additional Federal resources of a smaller scale in nature, the agency may use its Contingency Fund, which was established for the prevention, control, and management of animal and plant threats. In recent years, contingency funds allowed for an initial response to the European grapevine moth in California and a pilot effort in addressing feral swine in New Mexico. The Secretary of Agriculture also has the authority to transfer funds, as necessary, to address animal and plant health emergencies. In fiscal year 2012, APHIS used flexibility within the Tree and Wood Pests line item, along with additional funds the Secretary transferred from the Commodity Credit Corporation, to respond to an infestation of Asian longhorned beetle detected in Ohio, which was of larger scale in nature. These resource flexibilities, along with the early detection and emergency response capabilities of the agency, ensure that new and emerging agricultural threats can be addressed as they arise.

AVIAN HEALTH

Question. What role does USDA have in monitoring the new H7N9 virus in China?

Answer. USDA personnel continue to work closely with the Centers for Disease Control and Prevention, the Department of the Interior (DOI), and other Government agencies to monitor the H7N9 virus situation, assess potential pathways for introduction, and modify existing preparedness and response plans if deemed appropriate. USDA, in collaboration with DOI, concluded that the potential for whole genome introduction of H7N9 in North America is low. USDA has also determined that the current sampling strategy for domestic commercial poultry is more than adequate to detect avian influenza H7N9 from China if it were introduced to the United States.

USDA officials overseas facilitate agricultural trade, maintain contact with host country agricultural officials, monitor agricultural health, and lead efforts in sanitary and phytosanitary standard setting. USDA offices located in Asia provide points of contact for U.S. agricultural interests and help collect relevant real-time information, including updates on avian health and the current situation with regard to the H7N9 virus. Specifically, APHIS' office in Bangkok, Thailand, remains focused on avian health in Southeast Asia's lesser developed economies. APHIS conducts surveillance and capacity building activities, provides training and oversees epidemiology and diagnostic testing throughout the region.

Question. How is the Department working to ensure the virus does not infect our domestic poultry flocks?

Answer. USDA protects against the introduction of highly pathogenic avian influenza into the United States and the spread of low pathogen avian influenza within the United States. USDA personnel work cooperatively with State animal health officials and the poultry industry to conduct surveillance of breeding flocks at slaughter plants, live-bird markets, livestock auctions, and poultry dealers. The agency continues to work closely with stakeholders to address issues and ensure program activities are sufficient to protect the health of U.S. poultry.

USDA has determined that the risk of spread of the novel low pathogenic avian influenza virus, H7N9, from China to the United States through migratory waterfowl and trade is low. USDA surveillance activities in wild birds would detect the virus should an introduction occur. Our current efforts in monitoring for avian influenza meet the requirements of our trading partners. Furthermore, USDA has trade requirements in place to prevent the legal entry of potentially infected materials.

The United States does not import poultry, unprocessed poultry products, or non-domestic birds (with the exception of pet birds that are quarantined and tested) from China. Additionally, low pathogen influenza viruses are not found in meat or eggs. Therefore, there is also a low risk of spread through products brought illegally into the United States. Finally, our current efforts in monitoring for avian influenza meet the requirements of our trading partners.

SEQUESTRATION AND FURLOUGHS OF GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION EMPLOYEES

Question. The Grain Inspection, Packers and Stockyards Administration's (GIPSA's) Grain Regulatory Services program facilitates and promotes domestic and international trade of grains and oilseeds, etc., by establishing standards, inspections, and weighing services. Will sequestration disrupt provision of these services and harm the domestic and international markets for these commodities?

Answer. Due to cost-savings efforts, GIPSA was able to avoid furloughs in fiscal year 2013, and continue to provide the necessary services for establishing standards, inspections, and weighing services for the domestic and international trade of grains and oilseeds. As a result, we do not anticipate any disruptions of services this fiscal year.

Question. If so, do you foresee long-term damage to our export trade?

Answer. Since GIPSA did not furlough employees, we do not currently foresee immediate or long-term damage to our export trade. However, continued decreases in funding for the Grain Regulatory Services may require GIPSA to make reductions in the inspection and weighing services that provide support for U.S. grain producers, handlers and marketers of U.S. grain, domestic and export.

QUESTIONS SUBMITTED BY SENATOR ROY BLUNT

FRESH PRODUCE IMPORT PROTOCOLS

Question. How often does APHIS review and evaluate existing fresh produce import protocols given the many advancements in agricultural sciences and technology, historical sampling data and risk level assessment?

Answer. APHIS monitors and evaluates data from multiple sources on a continual basis to ensure that inspection protocols provide protection for U.S. agriculture without over-burdening importers. Customs and Border Protection (CBP) agricultural specialists at U.S. ports of entry conduct inspections on APHIS' behalf and enter the inspection results into APHIS-managed databases. APHIS continually evaluates this data to detect significant pest interception trends and changes to produce import trends (for those commodities inspected by CBP). APHIS may adjust port-of-entry inspection protocols based on these trends and, depending on the situation, may require changes in inspection techniques or changes in the levels or frequency of inspections. For example, APHIS and CBP developed the National Agricultural Cargo Release program several years ago to facilitate the entry of high-volume, low-risk commodities such as onions, carrots, and parsley from three major trading partners (Mexico, Guatemala, and China). Currently, 34 commodities are covered by the program, which expedites the entry of cargo by significantly reducing the frequency of inspections. Low-risk cut flowers from five countries are also covered through the Cut Flower Release Program. Through these programs, more than 400,000 shipments of fruits and vegetables and 1.9 billion stems of flowers were imported in fiscal year 2012. Since the programs began in fiscal year 2006, more than 2.9 million shipments of fruits and vegetables and more than 16.6 billion stems have been imported using these streamlined risk-based efforts.

In addition to inspection protocols, APHIS uses other means to ensure that the appropriate pest mitigation measures are in place to protect U.S. agriculture while considering agricultural technology advances. For example, APHIS partners with USDA's Agricultural Research Service and universities to develop molecular and other diagnostic techniques for improved identification, coordinates with counterparts overseas to identify and address pest risk issues at their source, and makes regulatory changes on an emergency action basis, if necessary, to address immediate and significant risks. In addition, APHIS collects pest information (for example, reports of new pests, pests in a new area, or found attacking new hosts) offshore from various sources. APHIS uses this information to assess potential import pathways and determine whether regulatory or inspection protocol changes are necessary to mitigate the risks. Additionally, APHIS evaluates new phytosanitary treatments developed through technological advances as they become available.

When the treatments are effective and/or exporting countries request it, APHIS may adjust import regulations and protocols to permit additional commodities to enter the United States and provide new options for U.S. consumers and importing businesses. For example, the use of irradiation as a phytosanitary treatment is currently used on mangoes from Mexico and persimmons from South Africa.

Question. Is CBP data taken into consideration when APHIS revises inspection protocols and does APHIS discuss these protocols with CBP?

Answer. Customs and Border Protection (CBP) agricultural specialists at U.S. ports of entry conduct inspections on APHIS' behalf and enter the inspection results into APHIS-managed databases. APHIS continually evaluates these data, as well as information from a variety of other sources, to detect significant pest interception trends and changes to produce import trends. If APHIS determines that inspection protocols need to be adjusted to protect U.S. agricultural health, APHIS discusses the situation and the specific recommendations for protocol changes with CBP. Inspection protocols consist of both recommendations related to amount, frequency, and methodology for sampling, as well as inspection techniques designed to focus on high risk pests and methods to best find them on various commodities. The discussions with CBP take place in advance of implementing changes to ensure that resources are available to conduct the work in a manner that minimizes disruption to trade. APHIS is currently working with CBP through the Automated Commercial Environment/International Trade Data System to enhance data sharing, which will further improve APHIS' risk evaluation and trend analysis.

Question. How does USDA work with CBP to ensure maximum efficiency for safe and timely entry of fresh produce and adequately allocate resources relative to the level of risk without creating an excessive financial burden on the importer, thereby negatively impacting local, regional businesses and consumers?

Answer. USDA works closely with Customs and Border Protection (CBP) to focus resources towards inspection activities that will have the greatest impact to ensure the safe and timely entry of fresh produce by using data collected through the inspection process by CBP as well as data from external resources, such as APHIS' offshore risk analysis efforts. USDA provides guidance to CBP in various forms, including import manuals, pest notifications, and inspectional training, to help maximize the efficiency and effectiveness of port-of-entry inspections. For example, APHIS and CBP developed the Cargo Release Authority (CRA) program several years ago to ensure that cargo is not held unnecessarily for pests of low risk. Through this program, APHIS provides training to CBP agricultural specialists to identify frequently intercepted, low-risk insects. CBP agricultural specialists can earn CRA for 173 different species or groups of organisms. Once CBP agricultural specialists have demonstrated the ability to reliably identify a particular insect and have earned the CRA for that insect, they can release future shipments affected by that insect without waiting for additional confirmation from APHIS.

Additionally, APHIS and CBP developed the National Agricultural Cargo Release program several years ago to facilitate the entry of high-volume, low-risk commodities such as onions, carrots, and parsley from three major trading partners (Mexico, Guatemala, and China). Currently, 34 commodities are covered by the program, which expedites the entry of cargo by significantly reducing the frequency of inspections. Low-risk cut flowers from five countries are also covered through the Cut Flower Release Program. Through these programs, more than 400,000 shipments of fruits and vegetables and 1.9 billion stems of flowers were imported in fiscal year 2012. Since the programs began in fiscal year 2006, more than 2.9 million shipments of fruits and vegetables and more than 16.6 billion stems have been imported, saving importers time through less frequent inspections. APHIS and CBP continue to work together to ensure that agricultural inspections are effective, efficient, and risk-based.

Question. How does USDA collaborate with CBP to ensure proper resources are available so that USDA inspections can be completed within on 1 day of freight being available after discharging from the vessel?

Answer. Customs and Border Protection (CBP) agricultural specialists conduct inspections on APHIS' behalf, and these inspections may not always be conducted within 1 day of freight discharge. Once shipments are inspected, CBP forwards any interceptions for which the CBP agricultural specialist does not have CRA to APHIS identifiers located at 32 ports of entry. In most cases, APHIS identifiers can make the identification immediately. Additionally, identifiers have a state-of-the art digital imaging system so that, in the event of an unusual or difficult specimen to identify, images of the organism can be forwarded to a network of highly specialized experts in the various fields of entomology, plant pathology, botany, etc., to help make the identification. In certain cases, APHIS port-of-entry identifiers need to send specimens to APHIS national specialists or to specialists at the USDA Agricultural

Research Service Systematic Entomology Laboratory, all of whom understand the need for immediate identification and treat these specimens as urgent cases. In these cases, APHIS is able to complete the vast majority of identifications and report back to CBP within 1 working day.

QUESTIONS SUBMITTED TO DR. CATHERINE WOTEKI

QUESTIONS SUBMITTED BY SENATOR MARK L. PRYOR

AGRICULTURAL RESEARCH SERVICE BUILDINGS AND FACILITIES

Question. Dr. Woteki, the Agricultural Research Service (ARS) budget includes $155 million to build a new poultry lab. Why did you decide, in this budget climate, to ask for a brand new, very expensive building, instead of attempting to take care of some of the deferred maintenance needs at the rest of the ARS labs?

Answer. At the request of Congress and the Secretary of Agriculture, the USDA Agricultural Research Service (ARS) conducted a review of its research facilities and presented a report to Congress in April 2012, which details a Capital Investment Strategy for the agency. The report establishes criteria for assessing and determining capital investment needs and priorities for ARS scientific research laboratories, based upon relative facility physical conditions and research program priorities. The highest priority facility need identified through this process was a new National Poultry Research Center which will enable needed research on poultry diseases to be conducted.

ARS research on poultry diseases is critical to American agriculture. The United States is the world's largest poultry producer, the second-largest exporter of poultry meat, and a major egg producer. Poultry diseases such as avian influenza, virulent Newcastle disease, Marek's disease, and avian leukosis threaten our national poultry industry and our export markets. ARS currently conducts poultry disease research at the Avian Diseases and Oncology Laboratory (ADOL) in East Lansing, Michigan, and at the Southeast Poultry Research Laboratory (SEPRL) in Athens, Georgia. The fiscal year 2014 President's budget proposes to consolidate ADOL with SEPRL in Athens, Georgia. The proposed consolidation of ARS poultry resources into a National Poultry Research Center will enable the integration of our avian genomics research program at ADOL with our avian diseases research program at SEPRL and provide significant programmatic synergies and critical mass needed to implement a national research program responsive to the needs of the poultry industry.

The existing facilities at both ADOL and SEPRL require major improvements because the structures and systems have exceeded their useful service life. Both of these facilities have outdated equipment for biological containment, insufficient laboratory space, and facility-imposed inefficiencies in program and facilities operations. SEPRL has Biosafety Level (BSL)–2 Laboratory and BSL–3 Ag facilities that were constructed in 1964 and 1976. There are 32 small, inefficient buildings designed for four scientists and support staff. Currently, there are 11 ARS scientists and their support staff. Critical, cutting-edge research that is needed to address poultry diseases cannot be conducted because of these facility limitations. A new facility is required to continue efforts to protect our poultry industries from new and emerging influenza viruses and emerging/exotic poultry diseases which threaten the Nation's poultry industry and potentially U.S. public health. The new National Poultry Research Center will have ABSL–3E animal and BSL–3E laboratory space which will enable ARS scientists to handle and conduct research on exotic poultry diseases. These are facilities that meet requirements for handling infectious materials and have special engineering and design features to prevent exposure to dangerous diseases. ARS infrastructure, including our laboratories, is a valuable asset for science and we are committed to leveraging our assets to increase USDA's capacity to conduct critical research and to solve emerging problems.

QUESTIONS SUBMITTED TO DR. ELISABETH HAGEN

QUESTIONS SUBMITTED BY SENATOR MARK L. PRYOR

COOPERATIVE INTERSTATE SHIPMENT PROGRAM

Question. Dr. Hagen, your request includes $2.4 million and a staff increase of 15 employees to continue implementation and expansion of the Cooperative Interstate

Shipment Program. This program will assist small and very small meat and poultry plants in expanding business opportunities through interstate commerce.

Please describe how this program works and the need for 15 additional employees.

Answer. Section 11015 of title XI of the Food, Conservation, and Energy Act of 2008 (the 2008 farm bill), enacted on June 18, 2008, amended the Federal Meat Inspection Act (FMIA) and the Poultry Products Inspection Act (PPIA) to establish the Cooperative Inspection Shipment (CIS) program under which certain small and very small State-inspected establishments will be eligible to ship meat and poultry products in interstate commerce. The law provides that the Secretary of Agriculture (FSIS by delegation) "in coordination with the appropriate State agency of the State in which the establishment is located," may select State-inspected establishments with 25 or fewer employees to ship meat and poultry products in interstate commerce. The program is limited to establishments located in States that have established and continue to maintain an "at least equal to" State meat or poultry inspection (MPI) program. Inspection services for these establishments must be provided by State inspection personnel that have "undergone all necessary inspection training and certification to assist the Secretary with the administration and enforcement of [the acts]". Meat and poultry products inspected and passed by the State inspection personnel will bear a "Federal mark, stamp, tag, or label of inspection" and will be permitted to be shipped in interstate commerce.

The law requires that FSIS designate an employee to "provide oversight and enforcement" of the program. The statute requires FSIS to appoint a Federal employee to be a Selected Establishment Coordinator (SEC) and the SEC is required by statute to visit selected establishments with a frequency that is appropriate to ensure that such establishments are operating in manner that is consistent with the FMIA and PPIA. Based on a mission analysis, we estimate that full implementation of the CIS will require 15 full-time equivalent FSIS employees to provide oversight and enforcement as well as complete periodical audits of the State inspection program laboratory systems to ensure the sampling and testing program are equivalent to the Federal program.

FSIS published a final rule to implement the CIS program on May 2, 2011 (see "Cooperative Inspection Programs: Interstate Shipment of Meat and Poultry Products," available on the Internet at: http://www.fsis.usda.gov/OPPDE/rdad/FRPubs/2008-0039F.pdf). The regulations that implement the CIS program are in 9 CFR 321.3, 9 CFR part 332, 9 CFR 381.187, and 9 CFR part 381 subpart Z.

Question. How are costs shared between the Department and participating States?

Answer. The law requires that FSIS reimburse a State for costs related to the inspection of selected establishments in the State in an amount of not less than 60 percent of eligible State costs. Currently, FSIS is reimbursing States for 60 percent of their eligible costs. The law also states that FSIS "may provide grants to appropriate State agencies to assist the appropriate State agencies in helping establishments covered by this Act to transition to selected establishments". This includes normal operating expenses associated with field operations including office space, communications costs, information technology costs such as laptops, other equipment, and travel costs.

Question. What do you think the ultimate potential is in terms of increasing the value of products shipped, jobs and income generated?

Answer. Under the CIS program, small, State-inspected businesses will be allowed to sell meat products across State lines. Prior to the establishment of this program, State-inspected businesses could only sell products within their State. The Cooperative Interstate Shipment (CIS) program will expand economic opportunities for America's small meat and poultry processors, strengthen State and local economies, and increase consumer access to safe, locally produced food. The CIS program allows a small processor to sell products to neighbors in nearby States. A number of small plants believe that access to this interstate shipment will help them develop profitable niche markets for their products. The CIS program expands the market opportunities for meat from local processors and makes these small businesses more viable, while also ensuring that participating establishments have robust food safety systems in place to produce safe food for consumers. In addition, the CIS program is going to focus on strengthening the critical connection between farmers and consumers and supporting local and regional food systems.

IMPLEMENTATION OF NEW POULTRY INSPECTION RULE

Question. The Department is continuing to move forward with the implementation of new methods of poultry inspection. These new procedures will shift more of the visual inspection responsibilities to industry personnel. This will reduce the number of FSIS online carcass inspectors, allow faster line speeds, and re-focus FSIS efforts on improved food safety. We appreciate that USDA has piloted and analyzed these procedures at a variety of plants, for some years.

Several swine slaughter plants were included in this pilot project. The Office of Inspector General (OIG) has just released an audit of swine slaughter operations which includes a review of these plants.

The OIG found that "The swine HIMP pilot program lacks sufficient oversight." Specifically, it found that FSIS did not evaluate whether the program resulted in measurable improvements to the inspection process. FSIS allowed one plant to forgo standard policy and not perform required visual inspections. Furthermore, three of the five pilot plants audited had some of the highest numbers of regulation violations ("non-compliance records") of all plants nationwide.

What is your response to these criticisms?

Answer. It is important to note that HIMP for poultry and HIMP for swine are not the same pilot programs, so they cannot be compared to each other.

FSIS intends to complete an evaluation of HIMP market hog establishments by March 31, 2014, including an analysis of HIMP establishments' performance compared to non-HIMP establishments as well as their performance with respect to performance standards established by an independent consulting firm contractor. In the meantime, it is important to note that the same criteria for regulatory compliance are applied to both non-HIMP and HIMP establishments. Establishments that exhibit a pattern of serious regulatory non-compliance may be subject to a Notice of Intended Enforcement Action, a suspension of inspection activities, and even withdrawal of the grant of inspection.

Question. What are your plans regarding future changes in swine inspection procedures?

Answer. FSIS has no plans to change swine inspection procedures at this time. If the agency decides to make any changes in the future, FSIS will follow the normal notice-and-comment rulemaking process.

Question. If you expand the regulation to include swine slaughter, can you provide assurance that the Nation's food safety will not be jeopardized?

Answer. Yes. FSIS does not make policy changes unless the agency determines that those changes will help us to better ensure food safety and protect public health.

QUESTIONS SUBMITTED BY SENATOR THAD COCHRAN

MECHANICALLY SEPARATED POULTRY MEAT

Question. USDA is actively considering proposals to impose new requirements on the treatment of mechanically separated poultry meat. There are concerns that these new rules could impose significant economic harm on the poultry industry—particularly with regard to exports. The export value of these products make up about 5 percent of the value of all U.S. poultry exports each year. We certainly do not want to place this market in jeopardy.

Has USDA conducted a full economic impact analysis of the requirements and policies announced in the notice dealing with mechanically separated poultry meat?

Answer. FSIS did not analyze the economic impact of the notice because the notice did not impose any new sampling requirements on establishments.

Question. Is the USDA coordinating with industry and other departments to ensure these rules don't unnecessarily disrupt valuable markets?

Answer. Yes. Although no country has taken action against these products at this time, we understand the industry's concerns about the potential impact on trade if this action is misunderstood by trading partners. Since the announcement of this action, FAS has assisted industry in exploring alternatives that could minimize the potential for negative responses by foreign governments.

FSIS solicited comments from the public, including industry, in the December 6, 2012, notice. On March 7, 2013, FSIS extended the original comment period until April 20, 2013 (78 Federal Register 14635.) The agency expects to respond to the comments in a separate Federal Register notice.

Development of the December 2012 notice was based on protecting the public health and fulfilling FSIS' statutory and regulatory obligations to ensure food safety. The outbreaks described in the notice indicate a change that requires a reassessment of HACCP plans based on the existing regulation (9 CFR 417.4(a)(3)). There are no new requirements as a result of the notice. Establishments can continue to export comminuted product, even if FSIS conducts testing of the product.

QUESTIONS SUBMITTED TO KEVIN CONCANNON

QUESTIONS SUBMITTED BY SENATOR MARK L. PRYOR

COMMODITY SUPPLEMENTAL FOOD PROGRAM

Question. Mr. Concannon, the budget requests a significant increase for Commodity Supplemental Food Program (CSFP). When looking at the increase it seems the majority is not for food costs but for administrative expenses.

Can you explain why the budget is requesting such a large increase for this program?

Answer. The increased funding for CSFP is necessary to maintain current program participation, and will be used for food purchases. Administrative grants are determined by a legislatively mandated adjustment in the State and local expenditure index for State and local agencies.

Question. Since no new States are being added, is the majority of the increase due to food costs or administrative expenses?

Answer. Ninety-two percent (92 percent) of the increase in funding for CSFP is due to food costs.

PUBLIC HEALTH INFORMATION SYSTEM

Question. We have been apprised that the Public Health Information System (PHIS) is very slow and unwieldy for users. If data input is interrupted due to other work requirements, PHIS "times out" the user and forces them to re-enter data. We are told that users frequently take their laptops home to enter data uninterrupted. Surely with the investments made in PHIS, we can expect a better product than this.

Are you aware of these problems?

Answer. The agency is aware of some customers experiencing connectivity issues when trying to use PHIS and improving connectivity of PHIS is the top priority of the Administrator. It is important to note that the agency does not expect, nor does it allow its inspection program personnel to take their laptops home to enter data into PHIS outside of their tour of duty. That being said, issues such as the system being "slow and unwieldy," are typically caused by Internet connectivity and not by PHIS. These connectivity issues have to do with available commercial technology in an area, the use of mandated contract carriers and USDA network traffic; much of this is outside of the agency's control. In addition, PHIS meets Federal security guidelines and times out when users are inactive.

FSIS has inspection personnel in plants across the country, and unfortunately, connectivity is not as consistent in some rural parts of the country as it is in more urban areas. A small percentage of FSIS field personnel, who are mostly located in rural areas, are experiencing connectivity issues. The agency is working toward implementing additional wired and wireless solutions for our personnel with Internet connectivity issues. One solution that has already been implemented is the availability of a disconnected version of PHIS. Personnel can enter data into this disconnected version when Internet connectivity is unavailable, and upload that data to PHIS once the Internet is available. Connectivity is not provided at every establishment; rather it is provided at large and/or high-volume establishments and at least at one point on every patrol assignment.

Question. How much has been invested in PHIS to date?

Answer. As of May 2013 the agency has invested $57.9 million in the Development and Operations and Maintenance of PHIS.

Question. Is development of PHIS complete now or are you still enhancing the product?

Answer. PHIS development continues. Initially, FSIS' immediate focus was on its domestic component and getting approximately 4,500 field employees transitioned onto the system. Once full domestic implementation was completed in January 2012, FSIS turned its attention to the system's import component. Having completed implementation of these two high-priority components, FSIS launched the system to industry users and State meat and poultry inspection programs. In the next fiscal year, FSIS will continue improving and enhancing the components that have already been implemented, while also integrating the agency's foreign equivalence and export processes.

Question. What are the annual operating costs of PHIS?

Answer. The agency projects future operations and maintenance costs for PHIS to be approximately $1,340,903 per year.

Question. What are your plans to increase the speed and usefulness of this system?

Answer. The agency is taking a multifaceted approach to enhancing the system for speed and utility. We are constantly looking at ways to improve the system, agency processes, training and support guidance as well as new enhancements and updates released on a regular basis. In addition, we are prioritizing increased use of the disconnected version of PHIS with personnel located in areas where Internet connectivity is unavailable. This disconnected version allows personnel to record critical food safety information while Internet connectivity is unavailable and upload it to PHIS at a location on their assignment where the Internet is available.

FOOD WASTE

Question. There has been some concern that increasing the nutrition standards for foods has caused increased plate waste. Kids are simply throwing out that apple and going to class hungry. The Little Rock School District has come up with an innovative approach to dealing with this. All food groups are represented by a color and students must select three groups including at least one fruit or vegetable.

Are you concerned with increased plate waste?

Answer. Plate waste has been a long-standing concern of USDA, which has examined the issue in various studies and developed several policies to decrease plate waste. For instance, "offer versus serve" is a service method that allows students to select only those foods they intend to eat. It was developed to prevent food waste and encourage the consumption of healthful foods. Additionally, USDA continues to offer extensive technical assistance to States and local agencies in an effort to assist in the reduction of plate waste in cafeterias, including the Recipes for Healthy Kids Competition, Chefs Move to Schools, fact sheets, and other resources offered through Food and Nutrition Service's (FNS's) Team Nutrition.

USDA is committed to future research to expand understanding of the issue. A study will be conducted in school year 2014–2015 that will examine the extent of plate waste in the school meal programs, looking at both types of foods and specific nutrients lost.

Question. What is FNS doing to encourage school districts to come up with creative ways to help students eat more fruits and vegetables, as we're seeing in Little Rock?

Answer. FNS recognizes that innovative approaches can increase consumption of school meals. FNS is collaborating with the Economic Research Service to support research conducted by the Cornell Center for Behavioral Economics in Child Nutrition Programs. The Center's Smarter Lunchrooms Initiative focuses on new efforts to reduce plate waste, particularly fruits and vegetables, in school meal programs by going beyond what is served to how it is served—including lighting, placement of foods, creative food item names, and signage. For instance, the Center has found that relabeling foods with appealing names resulted in an increase in the sale of vegetables in the school cafeteria by 27 percent. We are currently working to increase State and local awareness of and access to the ample resources and training available from the Center.

We also know that it is very important that schools provide enough time to eat, and at the right time of day. For example, implementing "grab and go" meals in addition to traditional meal service in the school cafeteria may provide students with the flexibility to eat in a preferred setting and at a time when they are most hungry. Providing meals just before or after physical activity can also increase student appetite and meal appeal. Lastly, we recognize the importance of resource sharing, and have created the Best Practices Sharing Center Web site, which allows States and schools to share their own innovative menus, training materials, and signage with a nationwide audience.

QUESTIONS SUBMITTED BY SENATOR JOHN HOEVEN

WIC ENROLLMENT TRENDS

Question. The WIC program is designed for low-income infants, children up to age 5 and pregnant and postpartum women. The USDA and WIC repeatedly point to its own data to show that the program is being increasingly utilized by women and children. The data reflects that WIC enrollment encompasses 53 percent of all the infants in the country. This seems to be a figure that exceeds other measures of infant and child poverty. Accordingly, please outline what policies have led to such an increase in WIC enrollment?

Answer. A USDA analysis released in January 2013 estimated that just over 2 million infants, fully half of the infants in the United States, had family incomes below 185 percent of the Federal Poverty Guidelines in 2010 (National and State-

Level Estimates of Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Eligibles and Program Reach, 2010). These infants would be income eligible for WIC because they meet the income requirements established by the Child Nutrition Act. The increase in enrollment was not a result of changes in WIC policies.

USDA's most recent analysis of State WIC administrative data showed that 69 percent of WIC participants received benefits through SNAP, TANF, or Medicaid in 2010. But that same data finds that the great majority of those WIC participants reported incomes below 185 percent of the poverty guidelines. Among all participants for whom we have income information in 2010, just 2.9 percent reported incomes above the 185 percent threshold. For infants, the number was 2.7 percent.

LOCAL AND STATE INCOME ELIGIBILITY DISCRETION

Question. The Government Accountability Office (GAO) produced a study showing extensive State-level and local WIC agency discretion regarding aspects of measuring income for assessing eligibility. States and local WIC agencies set the terms of what to include or exclude when counting income, including what time periods must be considered when measuring income, or the size of the family unit used to calculate income. Apparently, over 60 percent of the States require income data reflecting only the last 30 days, even though the Federal standard for WIC eligibility is "annual gross household income." Furthermore, the States evaluate only the income of the mother and child, and disregard income of any other member of the household. We understand that in response to the GAO report in April 2013, FNS issued new income eligibility guidance to the States that is uncannily similar to FNS's 14-year-old 1999 income eligibility determination guidance in effect at the time GAO identified extensive inconsistencies across State and local WIC agency income eligibility determinations. How does FNS intend to monitor State and local WIC agency compliance with this new guidance, given that there is no training or technical assistance provided along with the new guidance to ensure compliance?

Answer. In April 2013, FNS issued updated guidance to State agencies to help standardize income eligibility determinations. The guidance consolidates policy memoranda issued over the past several years. Included in the guidance are various aspects of WIC certification, including, but not limited to: income eligibility guidelines, definition of income (including military income), determination of family/household income and adjunctive/automatic income eligibility, clarification on the use of "current" income, and the number of temporary certifications allowed when an applicant lacks necessary income documentation. FNS is also hosting regional webinars for State agencies to provide technical assistance on the guidance.

In addition, management evaluations (MEs) conducted by FNS routinely address issues related to income eligibility determinations. The WIC ME Tool, a Web-based, interactive tool implemented in fiscal year 2010, establishes standard questions to be used across regions and allows FNS to generate reports to identify common findings and develop policies or other corrective actions. FNS will develop a process, which will be effective October 1, 2013, for the systematic review and analysis of WIC certification/eligibility MEs at the national office level. The process will help FNS identify areas in need of correction or improvement so that additional guidance and technical assistance can be provided to FNS regional offices and WIC State agencies as necessary and appropriate.

FOOD AND NUTRITION SERVICE OVERSIGHT AND REVIEW

Question. Apparently, FNS for some years has been collecting USDA regional offices' reports of State and local WIC agencies' compliance with Federal WIC policy, including income eligibility determinations. However, the GAO observed that FNS refrains from examining those reports to assess State or local WIC agency compliance with Federal regulations. How can FNS be assured of the integrity of the WIC program when it does not monitor State and local WIC agencies' compliance with Federal policies, especially in the area of income eligibility determinations? What does FNS intend to do to rectify these issues in the future?

Answer. FNS routinely reviews all WIC State agencies for compliance with Program operation and administration requirements, including the critical area of certification and eligibility, during its management evaluation reviews. Where deficiencies are found, FNS requires that State agencies undertake corrective actions and monitors compliance with those corrective action plans. To improve WIC oversight and administration, and in response to the GAO's recommendation, FNS will develop a process, effective October 1, 2013, for systematically reviewing its monitoring reports to assess national program risks and target assistance specific to WIC certification and eligibility.

SUBCOMMITTEE RECESS

Senator PRYOR. The subcommittee will meet again for its final fiscal year 2014 budget hearing at 10 a.m. on Thursday, May 23, in this room. At that time, we'll hear testimony from USDA undersecretaries for Farm and Foreign Agricultural Services, Natural Resources and Environment, and Rural Development.

So again, I want to thank you all for your attendance today. And with that, the hearing is recessed.

[Whereupon, at 11:05 a.m., Thursday, May 16, the subcommittee was recessed, to reconvene at 10 a.m., Thursday, May 23.]

AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2014

THURSDAY, MAY 23, 2013

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:01 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Mark L. Pryor (chairman) presiding.

Present: Senators Pryor and Blunt.

DEPARTMENT OF AGRICULTURE

STATEMENTS OF:

DOUG O'BRIEN, ACTING UNDER SECRETARY, RURAL DEVELOPMENT

ANN MILLS, ACTING UNDER SECRETARY, NATURAL RESOURCES AND ENVIRONMENT

DARCI L. VETTER, ACTING UNDER SECRETARY, FARM AND FOREIGN AGRICULTURAL SERVICES

ACCOMPANIED BY MICHAEL YOUNG, BUDGET OFFICER

OPENING STATEMENT OF SENATOR MARK L. PRYOR

Senator PRYOR. I'll go ahead and bring the hearing to order. I want to thank everyone for being here. We have a little bit of a new game plan today because the Senate has announced that we're having votes at 10:30 a.m. So what I thought I would do is shorten my opening statement. Senator Blunt has agreed to shorten his opening statement, and we'd ask you to shorten your statements if possible, maybe a couple of minutes. Then of course your statements will be submitted for the record so we'll have the official record.

But let me go ahead and jump in, and our goal would be to actually try to finish the hearing shortly after 10:30 a.m. so the two of us could go make our votes and just try to recess the hearing from there instead of taking a break and coming back.

So I want to thank you for coming. This is our final budget hearing. Today we will hear from: Ms. Darci Vetter, the Acting Under Secretary for Farm and Foreign Agricultural Services; Ms. Ann Mills, the Acting Under Secretary for Natural Resources and Environment; and Mr. Doug O'Brien, the Acting—are you noticing a pattern here——

Senator BLUNT. I am.

Senator PRYOR [continuing]. The Acting Under Secretary for Rural Development. I'd like to welcome each one of you and thank you for being here and thank you for your preparation. In a lot of ways you are the face of the USDA out there in the field. If there is such a thing, you are the boots on the ground in the real world of all the services that you provide. Each of you is doing things that are very, very important for rural America and for agriculture, and for that we want to say thank you.

You continue to do good work. However, we're in a budget-shrinking environment, and I notice that the Rural Development staff, for example, the Rural Development staff has been cut by 18 percent since 2010, and there have been over 20 Farm Service Agency (FSA) office closures in the last couple years and conservation activities have been increasingly limited, and all that's done before the sequester.

So we understand that this is a shrinking environment in you guys have had to make some tough choices. But on a positive note, we see that you've made a lot of progress in the world of technology with the MIDAS system, and I'd like to visit about that in a few moments. I hope that what that does is it makes it easier for you to provide better service to American farmers, and it sounds like you're making progress there.

So with that, I'd like to turn it over to Senator Blunt for his statement.

STATEMENT OF SENATOR ROY BLUNT

Senator BLUNT. Thank you, chairman. Thank you for your leadership of the subcommittee.

We're glad to have all of you here today. I do want to get right to what you want to tell us and then what we want to ask about. Obviously, these have been good times for agriculture, but also challenging times for agriculture. In the State of Missouri, every one of our counties was declared a disaster county in the last year. At the same time, our agricultural production has continued to be astonishing as a State and as a Nation.

Rural development makes a real difference in the rural communities. Valued at $185 billion, the rural development loan portfolio is extensive, it's healthy, and it provides financing to many borrowers that wouldn't be able to obtain loans in other ways.

PREPARED STATEMENT

It's evident that the vast reach of your agency is being managed in new ways because of technology and, like the chairman, I look forward to hearing about that. I think I'll just submit my statement for the record and let's get started.

[The statement follows:]

PREPARED STATEMENT OF SENATOR ROY BLUNT

Good morning. Thank you Chairman Pryor for holding today's hearing on the Farm and Foreign Agricultural Service, Natural Resources and Environment, and Rural Development mission areas of the Department of Agriculture. I am pleased to join you in welcoming the Under Secretaries.

The mission areas we will examine in detail today play an important role in delivering USDA programs. They represent the frontline of USDA efforts to promote agriculture and improve rural communities.

Missouri is home to over 100,000 farms, the second most nationwide, and almost 30 percent of Missouri's population lives in a rural area. The agencies represented here today are critically important to their daily lives. These agencies are responsible for:

—Working with farmers to respond to natural disasters and conserve resources;
—Financing critical infrastructure in rural communities; and
—Promoting agricultural exports by opening foreign markets.

Agriculture supports 16 million jobs nationwide and has been a bright spot in the country's economic recovery. U.S. agricultural exports are expected to break records again this year.

However, challenges remain prevalent. Last year, about 80 percent of agricultural land across America experienced drought. It was the most extensive drought our country has experienced since the 1950s, and all 114 Missouri counties were declared a disaster area.

Many farmers in my State and throughout the country would not have been able to financially weather the drought had it not been for the safety net of the crop insurance program.

Farmers face risk and uncertainty unlike any other industry—unpredictable weather conditions, skyrocketing input costs, and volatile world markets to name a few.

Without a robust safety net in place, farmers would have tremendous difficulty rebounding after a disaster like last year's drought. I commend the Department for its continuous efforts to make these crop insurance products more affordable and useful to producers.

Agencies represented here today play integral roles in solidifying America's leading role in global agriculture production, as well as its preservation of natural resources.

USDA's conservation efforts aim to ensure that future generations benefit from our country's natural beauty and quality resources as we have, and I firmly believe America's farmers are America's best land stewards.

Agriculture remains the cornerstone of rural America, but USDA's reach is much broader than most Americans realize.

Housing ownership loans, rural business start-up grants, and drinking water infrastructure are only a few of the financing opportunities that Rural Development provides to rural communities.

Valued at nearly $185 billion, Rural Development's loan portfolio is extensive, healthy, and provides financing to many borrowers that are not able to obtain loans from private lenders.

It is evident by the vast mission areas of the agencies represented here today that USDA serves a role in nearly every aspect of rural America.

I want to again thank our witnesses for being here today, and I look forward to hearing their testimony.

Senator PRYOR. Thank you.

Mr. O'Brien, you're recognized for 2 minutes.

SUMMARY STATEMENT OF DOUG O'BRIEN

Mr. O'BRIEN. Thank you, Mr. Chairman, Ranking Member Blunt. I want to say thank you for the opportunity to appear before you today, and I will keep my statement very brief.

The Rural Development budget features a mix of grants and loans to help rural families, rural communities, small businesses, and cooperatives capture the historic opportunities in rural America. While certainly difficult choices needed to be made in this budget environment, we believe this budget strikes the right balance by targeting resources where there is greatest need and where there is greatest opportunity. In short, this budget continues the commitment to rural America.

PREPARED STATEMENT

I will stop there and look forward to your questions, and thank you for the opportunity to be here today.

[The statement follows:]

PREPARED STATEMENT OF DOUG O'BRIEN

RURAL DEVELOPMENT

Chairman Pryor, Ranking Member Blunt and members of the subcommittee, thank you for the opportunity to present the President's 2014 budget for the Department of Agriculture's (USDA's) Rural Development mission area. I am accompanied this morning by Mr. Michael Young, USDA's Budget Officer.

President Obama believes that "strong rural communities are the key to a stronger America." USDA Rural Development, as the only Federal Department with the primary responsibility of serving rural areas, takes seriously our responsibility to support the continued revitalization of rural America and the Nation.

Since 2009, President Obama's commitment and this subcommittee's support have brought about significant investment in rural communities that has made them stronger and more vibrant. USDA Rural Development alone has directly invested or guaranteed more than $131 billion over the last 4 years in broadband, businesses, housing, safe water, community facilities and more that have benefited not only the communities our agency serves, but the overall economy.

As you know, rural America has unique challenges and assets. Rural communities are characterized by their isolation from population centers and product markets and benefit most from initiatives that integrate local institutions and businesses with State and Federal agencies that have intimate knowledge of local needs. To address these unique challenges, Congress has provided USDA with a variety of programs that comprehensively attend to the rural dynamic.

The presence of USDA field offices in every State helps us serve the specific needs of local communities. USDA Rural Development employees are able to identify a wide range of community and economic development resources for local elected officials, business owners, families, farmers and ranchers, schools, nonprofits, cooperatives and tribes. USDA Rural Development staff are located throughout the Nation and are members of the communities they serve so they possess expert knowledge of the economic challenges and opportunities that exist in their particular region.

USDA Rural Development assistance includes direct and guaranteed loans, grants, technical assistance, and other payments. We provide assistance to intermediaries that make loans or provide technical assistance to the ultimate beneficiaries. We require or encourage recipients, in several programs, to contribute their own resources or obtain third-party financing to support the total cost of projects, in which case these programs leverage USDA's support with private sector financing.

Through USDA Rural Development's infrastructure development programs, we make investments in rural utility systems that help improve and expand the rural electrical grid, provide clean drinking water to rural communities, and deliver increased Internet service to rural families and to businesses, allowing them to compete in the global economy. In 2012, we provided more than 8 million consumers with new or improved electric service, provided 2.5 million of our borrower's customers with new or improved water or wastewater service, and provided nearly 64,000 rural households, businesses and community institutions with new or better access to broadband Internet service.

Through USDA Rural Development's business and cooperative loan, grant, and technical assistance programs, the agency helped thousands of rural small business owners and agricultural producers improve their enterprises, including those related to renewable energy. Beyond direct assistance to these business owners and producers, financial support from USDA also creates lasting economic development opportunities in the rural communities where the projects are located. Business and cooperative funding created or saved over 52,000 rural jobs in 2012.

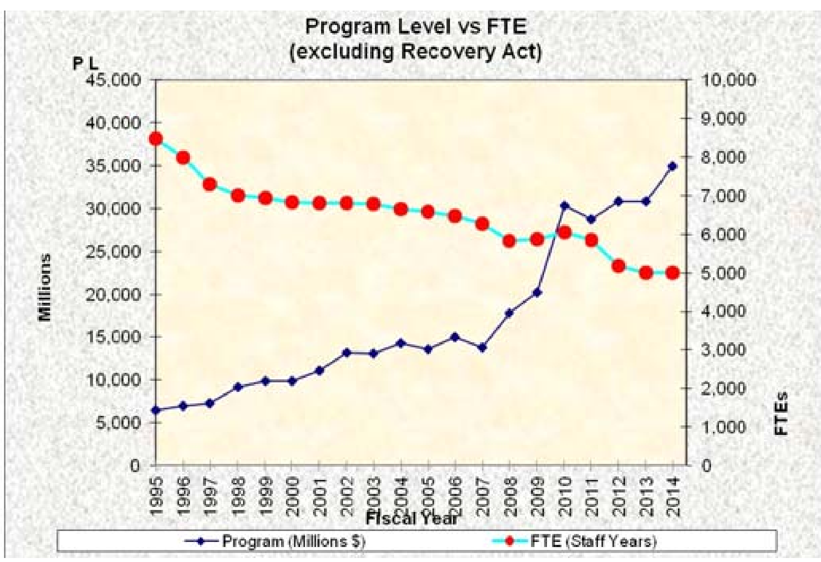
Not only have we supported small businesses, but we also support the social infrastructure that makes rural communities attractive to small business owners and their employees. USDA Rural Development's Community Facilities loan and grant program provided assistance to construct or improve 215 educational facilities, and supported 168 healthcare projects—part of more than 1,400 Community Facilities projects nationwide in 2012. Other key projects included support for local, rural emergency responders.

Finally, the USDA Rural Development housing program ensures that rural families have access to safe well-built, affordable homes. In 2012, more than 153,000 families with limited to moderate incomes purchased homes utilizing our housing programs. We also helped about 7,000 rural individuals or families repair their existing homes under our home repair loan and grant program. More than 400,000 low- and very low-income people were able to live in USDA-financed multi-family housing thanks to rental assistance.

At Rural Development we continue to recognize the responsibility we share to help shoulder the burden of deficit reduction and, as such, have pursued continual process improvements to ensure that our agency operates as a responsible steward of taxpayer dollars. Over the past 10 years, Rural Development's portfolio has more than doubled and now stands at $183 billion.

The agency has also embraced multiple streamlining efforts to reduce operating costs. USDA Rural Development contributed to savings under the Secretary's Blueprint for Stronger Service by consolidating and reorganizing its field office structure, providing projected savings of $758,000 annually. These efforts are continuing and are expected to result in additional savings over the next few years. Rural Development achieved savings of $1.3 million with reductions in printing, supplies and promotional items. Furthermore, the agency anticipates savings from data center consolidation at our National Information Technology Center and using specific services that would cost less money. Those savings are cumulative and have not been broken down by individual agencies.

In terms of staff, since the beginning of fiscal year 2012, USDA Rural Development has decreased its workforce by 18 percent, totaling 1,079 people. Those reductions will save the agency more than $95 million per year in staff costs moving forward, however, at a certain point we risk the integrity of the delivery of the programs and the servicing of a burgeoning portfolio. The chart below illustrates the agency-wide challenge of rapidly increasing program level funding and a steady decrease in staffing resources. This type of dynamic strains the agency's ability to responsibly deliver and service the programs provided for and funded by Congress.



Despite our best efforts to prepare for additional funding reductions through these prudent actions, we cannot prevent the negative impact of the March 1 sequestration or across-the-board reductions in every Rural Development program as outlined in the Consolidated and Further Continuing Appropriations Act of 2013. We will have to cut back on essential services. The reduced level of program funding will mean that rental assistance will not be available for more than 15,000 very low-income rural residents, generally elderly, disabled, and single heads of households, who live in multi-family housing in rural areas. As you know, the Secretary has notified this subcommittee and your colleagues in the House of his intention to use interchange authority to avoid furloughs and minimize the disruption caused by these cuts to rural communities.

We know that American taxpayers expect more, so we are continually looking for ways to improve, innovate and modernize. The Rural Housing Service (RHS) directed each State office to centralize the loan guarantee process for the Single Family Housing Guaranteed program. The purpose of the initiative is to maximize efficiencies that enable a reduction in staff time while still meeting audit requirements and providing States flexibility. Each State was instructed to centralize the guarantee process into one entry point, and then electronically distribute workflow to the appropriate workstation where the designated employee was located. The purpose was not to reassign employees to a central office location, but to deploy technology for a process improvement as a remedy for staff reductions. The result of the centralization initiative has been a success. All States have centralized their guarantee workflow process or are in the process of implementing it. Some States even implemented the same workflow for other Rural Development programs.

RHS hopes to go even further in 2014 with a proposal that will make USDA's guaranteed home loan program a direct endorsement program, which is consistent with Veterans Affairs and Housing and Urban Development's guaranteed home loan programs. This will make RHS more efficient and allow the Single Family Housing staff to focus on other unmet needs.

RHS is also in the process of instituting an automation project known as automated loan closing, or ALC, that will eliminate the need for staff to process paper checks for guarantee fees. It will eliminate the double entry of data and automate the scanning of critical loan closing documents. It will also enable an e-signature feature which will eliminate the need for staff to print and sign a loan note guarantee. The ALC project will begin deployment nationwide this summer.

The Rural Utilities Service (RUS) has also undertaken initiatives to improve performance and accountability measures. For example, in fiscal year 2010 we launched a process improvement project to address issues related to the Rural Alaska Village Grant Program. A Steering Committee composed of senior officials from both the national and State offices of USDA Rural Development, Alaska Department of Environmental Conservation, Alaska Native Tribal Health Consortium, Indian Health Service, Environmental Protection Agency and the Denali Commission was formed and convened in Anchorage. In June 2011, the partners, signed a memorandum of understanding outlining a streamlined application process, new grant agreements, improved accountability measures and other critical documents. Today, we are seeing the results of those efforts with projects being built serving Alaskan villages, many for the first time. Based on these successes, we are in the process of codifying the streamlining of this program through a regulation that we plan to announce later this year.

RUS is also undergoing a business process review (BPR) in electric and telecom programs to consolidate and streamline program activities, both in the field and in the national office as a result of exponential increases in the portfolio size, coupled with diminishing staff resources. This activity includes increased use of technology, staff reorganization and retraining, and potential revision of program regulations to increase the efficiency and effectiveness of program delivery.

In Rural Business and Cooperative Service (RBS) we established a field structure, consisting of 10 regions. The structure allows the national office to provide direction and oversight for all RBS programs nationally, with reliance on two regional coordinators (East and West), and 10 RBS team leaders (State program directors) that provide guidance to the State RBS program directors in their regions. This regional structure improves agency efficiency and effectiveness, which is vital as RBS addresses reductions to budget and staffing levels.

With its regional structure, RBS is able to save on travel and training expenses by reducing the number of staff that attend training. Typically, regional coordinators work with national office staff to train team leaders who then provide guidance and direction to the program directors in their region.

This approach also improves communication across the agency, resulting in greater consistency in program delivery. The regional structure provides a network for sharing institutional knowledge, best practices, and solutions to common challenges within a region.

RBS' regional structure also enables offices to address gaps in staffing by sharing human resources. For instance, a team leader can temporarily help with program delivery in a State if a program director retires or leaves the agency. This is especially important now, as RBS has lost a number of program directors over the last several years. Not only do team leaders help fill in where a program director position is vacant they also provide training and guidance to new program directors.

Over the last few years this has been essential to the agency's success in supporting the many programs delivered by RBS, with fewer staff.

Under the budget proposal, we continue to seek efficiencies to better serve the American people. For example, the budget includes $55 million for a new economic development grant program designed to target small and emerging private businesses and cooperatives in rural areas with populations of 50,000 or less. This new program will award funding to grantees that meet or exceed minimum performance targets, and that agree to be tracked against those performance targets. This consolidation will utilize all existing authorities available under the Rural Business Opportunity Grant, Rural Business Enterprise Grant, Rural Microenterprise Assistance Grant, Rural Cooperative Development Grant, Small/Socially Disadvantaged Producer Grant and Rural Community Development Initiative Grant programs. Doing so will enable RBS to leverage resources to create greater wealth, improve quality of life, and sustain and grow the regional economy. The new program is also expected to improve the agency's current grant allocation and evaluation process.

The President's budget reflects his commitment to jobs, growth and opportunity for America. With a proposed budget authority of $2.3 billion and a proposed program level of $35 billion, the three agencies of Rural Development are fully engaged in efforts to increase opportunities and address the challenges unique to rural America. The budget provides $662 million in funding for salaries and expenses needed to carry out USDA Rural Development programs. This level of funding will support an estimated staff level of 5,000 in 2014—many of whom are located in rural areas throughout the United States and Puerto Rico. In addition, the budget requests that $32 million of the total funding provided for salaries and expenses to be set aside for information technology investments for the Comprehensive Loan Program. Investing in modernizing this system will ensure that all loan programs are serviced with up to date technology safeguarding the portfolio from cyber threats and upgrading the management capabilities for the agency.

I should note that our largest programs at Rural Development, the Electric, Telecommunications, Community Facilities Direct Loan, and the Single Family Housing Guarantee programs require no Federal funding and are all operating at a negative subsidy rate. The budget also supports $1.2 billion in Water and Waste Disposal direct loans at no Federal cost due to improved performance of the program. However, I note that as savings from programs have been realized due to program performance and low interest rates, funding for S&E has not kept pace. The S&E request needs to be fully funded in order to realize the full authorized loan levels in these most efficient programs. The execution of these programs, particularly in an extremely challenging economic environment, is a win for taxpayers, rural residents and communities working to enhance their quality of life and increase their economic opportunities.

Rural Development is known as an agency that can help build a community from the ground up. Today, we are assisting rural America prepare for the global challenges of the 21st century by looking not only within a community for defining strengths and opportunities, but to regions and strategic partners, where one community or program can complement and draw upon the resources of another to create jobs and strengthen economies.

We are resolutely pursuing President Obama's vision of an America that promotes the economic well-being of all Americans. In rural communities, we support entrepreneurs and innovators, individuals and families, the youth and the elderly. We support entire communities. We do so by financing housing for individuals, families and the elderly, building schools and emergency centers, connecting leading doctors to rural clinics and hospitals, and encouraging business startups and expansions. We know our investments will pay dividends for years to come.

I appreciate the opportunity to work with members of the subcommittee to build a foundation for American competitiveness. The President has offered a responsible, balanced budget that continues to meet key priorities and includes targeted investments to support long-term job creation and renewed economic expansion. Moving forward will require hard work and sacrifice from everyone, and Rural Development is committed to doing its part. I am confident that the agencies of Rural Development will successfully implement the programs needed for a thriving rural America.

I appreciate the opportunity to testify today before members of the subcommittee. This budget proposal supports our efforts and helps us fulfill the promise of rural communities. Thank you for your support of Rural Development programs. I am happy to answer your questions on the budget proposals at this time.

Senator PRYOR. Thank you.
Ms. Mills.

SUMMARY STATEMENT OF ANN MILLS

Ms. MILLS. Thank you, Mr. Chairman and Ranking Member Blunt. I'm very pleased to present to you the Natural Resources Conservation Service's (NRCS) fiscal year 2014 budget, and we appreciate your ongoing support for voluntary rural lands conservation. NRCS remains committed to helping America's farmers and ranchers achieve their conservation goals while also meeting the challenges and opportunities of the 21st century.

We are using—I want to highlight just a couple things where NRCS is coupling its traditional strengths of on-the-ground assistance with a whole new generation of conservation approaches that will allow America's farmers to remain the most productive in the world. We're using science to help focus our investments. We're supporting the development of nonregulatory incentives, like agricultural certainty in environmental markets, that also help introduce private dollars into the farm economy. We're promoting soil health that is going to boost farmer productivity while at the same time helping them get buffered from extreme weather events. When these weather events do occur, NRCS is there in drought-stricken States, during flooding events, and even yesterday in Oklahoma. Today we're doing damage assessments there.

We're also focusing our efforts to support the Department's Strike Force Initiative to address poverty in persistent poverty counties. This budget reflects tough cuts, but also some strategic investments, such as improving our business functions, where we can continue to deliver excellent services to America's farmers and ranchers.

PREPARED STATEMENT

In a changing climate and high commodity prices, now more than ever America's farmers and ranchers need NRCS to help them protect our natural resource base.

Thank you very much.

[The statement follows:]

PREPARED STATEMENT OF ANN MILLS

NATURAL RESOURCES AND ENVIRONMENT

Mr. Chairman and members of the subcommittee, I am pleased to appear before you today to present the fiscal year 2014 budget for the Natural Resources Conservation Service (NRCS) of the Department of Agriculture. I appreciate the ongoing support of the chairman and members of the subcommittee for USDA's work on voluntary, private lands conservation and the protection of soil, water and other natural resources.

Our Nation's prosperity—particularly the prosperity of our rural communities—is closely linked to the health of our lands and natural resources. USDA remains committed to helping the Nation's farmers and ranchers meet their conservation goals. NRCS is working hard to couple its traditional strengths of site-specific, science-based technical and financial assistance with innovative efforts to leverage funding from private and non-governmental organizations in an effort to extend the value of taxpayer dollars. NRCS is also supporting the establishment of forward-thinking, incentive-based conservation and restoration programs including water quality, wildlife certainty, and environmental markets.

Natural resource conservation does not just protect the water we use, the air we breathe, and the soil that is necessary for producing our food. In many cases, the conservation practices that producers implement, with NRCS's assistance, can reduce production costs and improve productivity, making improvements to a producer's bottom-line and helping sustain rural communities.

The President's fiscal year 2014 budget requests a total of about $4 billion for NRCS conservation programs, including approximately $3 billion in mandatory funding and $808 million in discretionary funding. Although the agency will continue to face budgetary pressures, particularly in discretionary spending, this budget represents a significant investment in conservation programs and related activities.

Secretary Tom Vilsack recently testified that, under President Obama's leadership, USDA has taken significant steps to strengthen rural America and provide a foundation for continued growth and prosperity. Today, I will highlight for you how USDA, through NRCS, is working smarter to achieve natural resource improvements by leveraging resources and modernizing business operations in order to reduce administrative overhead and complexity. USDA employees are setting a tremendous example in this regard, delivering record levels of service to their customers with fewer resources and staff.

RESOURCE ACCOMPLISHMENTS

With implementation of the 2008 farm bill, NRCS and its customers have benefited from historic levels of technical and financial assistance, provided through the agency's dispersed workforce working one-on-one with farmers and ranchers. The agency has remained flexible, allowing for quick and agile responses to acute challenges, such as the Deepwater Horizon oil spill and 2012's historic drought. For example, since 2008, NRCS has:

—Established landscape conservation initiatives in targeted areas such as the Gulf of Mexico, the California Bay Delta, the Everglades, and the Great Lakes. NRCS initiatives in targeted areas address high-priority natural resource concerns and have improved the Federal return on investments in conservation.

—Helped producers adapt to drought conditions. In 2012 farmers and ranchers experienced the worst drought since the 1950s, according to the National Climatic Data Center. As the severity of the drought became apparent, NRCS moved quickly with partners to get technical and financial assistance to farmers and ranchers. Funding was provided to plant cover crops to minimize soil erosion, install livestock watering facilities, and install more efficient irrigation systems to limit impacts on aquifers. In fiscal year 2012 and fiscal year 2013, NRCS provided nearly $44 million for drought mitigation that was used to address drought issues in 22 States.

—Instituted a Working Lands for Wildlife partnership that will allow farmers and ranchers to protect threatened wildlife species while ensuring continued agriculture and forestry production. Working Lands for Wildlife is a new partnership between NRCS and the U.S. Fish and Wildlife Service (FWS) that uses agency technical expertise, combined with financial assistance from the Wildlife Habitat Incentive Program, to combat the decline of seven specific wildlife species whose habitat needs overlap significantly with agricultural landscapes. For example, at one time Longleaf pine forests covered 90 million acres in the southeastern United States. Now only 3.4 million acres remain. By increasing the use of management practices such as prescribed grazing and forest stand improvements, forest landowners can make many of these acres more functional and viable.

—Played a major role in helping Gulf Coast States and landowners address water quality impacts to the Gulf of Mexico. The Gulf of Mexico Initiative (GoMI) provides assistance to agricultural producers in the five Gulf Coast States to improve water quality, conserve water, and enhance wildlife habitat within watersheds draining into the Gulf of Mexico. NRCS obligated approximately $8 million in contracts and easements under the initiative in fiscal year 2012 and will commit up to $30 million more over the next 2 years to provide conservation assistance to farmers and ranchers in priority areas along seven major rivers that drain to the gulf.

—Addressed water quality issues through NRCS's Mississippi River Basin Initiative. This effort builds on the past efforts of producers, NRCS, partners, and other State and Federal agencies in a 13-State area, in addressing nutrient loading in selected small watersheds in the Mississippi River Basin. Excess nutrient loading contributes to both local water quality problems and the hypoxic zone in the Gulf of Mexico. In fiscal year 2011 and fiscal year 2012, NRCS directed over $50 million in financial assistance for this initiative.

—Played a leadership role in emergency responses to natural disasters, including the Deepwater Horizon oil spill and Hurricane Sandy. Responses to these events are ongoing. Many of the producers in the States affected by the oil spill are still providing wintering habitat after their crops are harvested. NRCS is helping private landowners and communities recover from the effects of Hurricane Sandy through the Emergency Watershed Protection Program.

—Instituted a pilot program through the Environmental Quality Incentive Program (EQIP) that will allow producers to comply with EPA regulations by using EQIP financial assistance to prevent on-farm oil spills. The Oil Spill Prevention, Control and Countermeasure (SPCC) pilot is in its third year. In its first 2 years (fiscal year 2011 and fiscal year 2012), it provided more than $4.2 million to over 1,000 producers in nine States to develop professionally prepared and certified SPCC plans and provide for appropriate secondary containment of oil storage facilities.

LOOKING AHEAD—INNOVATIONS IN CONSERVATION

Despite the recent decreases in the NRCS budget, the agency continues to keep pace with changes in conservation approaches and resource needs. Our landscape initiatives, guided by information gleaned from the Conservation Effects Assessment Project (CEAP), are just one example. Below are additional examples of how NRCS will help farmers and ranchers through what we call 21st century conservation.

—CEAP, composed of a series of resource assessment efforts, has enhanced our data-driven capabilities for getting targeted conservation on the ground. CEAP has also helped spawn the next generation of technical tools—such as the Soil Vulnerability Layer and the CEAP Conservation Benefits Identifier—that will take our ability to target conservation to a higher level. A user-friendly version of the APEX model (the field-level model powering CEAP) will help field staff and producers to determine, at a glance, which suites of practices offer the greatest conservation benefit.

—In recent years NRCS has regularly heard from producers around the country that they are concerned that the potential for shifting regulatory requirements will make it difficult to plan their business operations. One solution is to give producers certainty that the rules won't change for them for a set period of time, in exchange for their implementing practices proven to address water quality concerns. USDA has been a staunch supporter of voluntary State certainty programs. In January 2012, Secretary Vilsack signed a memorandum of understanding with the Governor of Minnesota and the EPA Administrator, announcing the establishment of Minnesota's Agricultural Water Quality Certification Program. Other States are pursuing water quality certainty programs, including Virginia and Maryland. NRCS is also supporting the certainty approach for addressing wildlife habitat issues through our Working Lands for Wildlife partnership. Farmers, ranchers, and forest managers have regulatory predictability and confidence that the conservation investments they make on their lands today will not result in regulatory penalties and that they can help sustain their operations over the long term. Our partnership with the USFWS provides landowners with regulatory predictability should the target species be listed under the Endangered Species Act at some point in the future.

—Emerging greenhouse gas, water quality, and wildlife markets present opportunities for agricultural producers to receive compensation for the ecosystem services they generate from certain voluntary conservation practices. NRCS is developing the science and decision tools to help producers quantify the environmental benefits generated by these practices.

Researchers and programmers at the NRCS National Technology Support Center (NTSC) in Portland, Oregon, are working with experts from across the Department to create tools that will quantify the soil carbon footprint of all agricultural activities at the farm gate—from nutrient management to buffer strips. These tools will be used by farmers, ranchers, and USDA field staff to identify practices that result in greenhouse gas emission reductions and carbon sequestration.

To advance our ability to address water quality concerns, NTSC in Portland is working with experts from across the Department to develop the Nutrient Tracking Tool (NTT). NTT is a Web-based application that allows a farmer to calculate the differences in nitrogen, phosphorus, and sediment runoff and yields at the field scale when current farming practices are compared to conservation practices. This tool will be improved with additional investments by NRCS in its new Edge-of-Field Water Quality Monitoring program that, combined with instream monitoring efforts, will allow us to more accurately measure the effects of our conservation practices and strengthen our APEX/CEAP modeling efforts. Taken together, these tools will help NRCS better understand the benefits of Federal conservation investments, while also supporting producer efforts to pursue new business opportunities and help ensure the integrity of environmental credits used in trading markets.

The agency is also supporting pilot projects that help create market supply for the environmental credits generated by farmers and ranchers, with the goal of acclimating producers to the general requirements for participation in environmental markets. Special Conservation Innovation Grant (CIG) opportunities used greenhouse gas projects (fiscal year 2011) and water quality trading projects (fiscal year 2012). For both of these efforts, NRCS established awardee networks—forums for the awardees to convene regularly and share information and lessons learned.

—NRCS is working on thoroughly integrating soil health into the agency's policies and programs. Partners and stakeholders, recognizing the potential benefits from widespread adoption of soil health management systems, benefits in productivity, natural resource condition and profitability, are stepping up to amplify and support our soil health effort. By focusing more attention on soil health and by educating our customers and the public about the positive impact healthy soils can have on productivity and conservation, we can help the Nation's farmers and ranchers feed the world more profitably and sustainably while also helping them adapt to extreme weather events and new climate patterns.

—NRCS is comprehensively restructuring the Budget and Financial Management, Property and Procurement, and Human Resources functions to improve service and lower costs. The vision of the future is to enable our employees to service more customers. The plan includes functionally aligning the work between the field and headquarters staffs and ultimately looks to streamline functions, reduce redundancies and realize cost-savings.

FISCAL YEAR 2014 BUDGET

In the fiscal year 2014 budget, we propose difficult cuts to some programs, but also strategic investments in other programs to maintain NRCS's position as the country's leading private lands conservation agency. We have been working for some time to modernize our business operations to better serve our customers in a constrained budget environment. Our goals are to deliver effective on-the-ground conservation, maintain the flexibility to address emerging resource issues and protect mission critical strengths including our technical capacity and our ability to work with local partners in addressing resource priorities.

We continue to improve the condition of our natural resources, but more needs to be done. Through CEAP we have learned that approximately 15 percent of the Nation's nearly 300 million acres of cultivated cropland needs a high level of treatment in order to reduce impacts on water quality, while 33 percent needs a moderate level of improvement. Water quality concerns resulting from the subsurface loss of nitrogen through natural pathways or tile drains remain a significant resource concern. Climate change and extreme weather call for better adaptation strategies for producers.

We must find ways to maintain strong ties to local experts who can provide valuable insight into local and regional resource concerns. We also need to maintain investments in the agency's technical strengths that have supported NRCS's operations for over 75 years and—more importantly—that are critical to solving ongoing and emerging conservation challenges. Our technical products and services benefit local economies and are necessary to maintain a viable agriculture sector. They are increasingly used by other sectors of the economy as well. These products include: the National Resources Inventory (NRI), a widely respected source for natural resource conditions and trends in the United States; the National Soils Information System, which provides practical applications of soils data for many audiences and is delivered to more than 12,000 individual customers per day; and the Snow Survey and Water Supply Forecasts which provide reliable, accurate and timely forecasts of surface water supply to water managers and water users in the West. NRCS's water supply data are more important than ever in this time of highly variable precipitation and changing climate patterns.

These services will become more valuable as we seek to address sustainable food production for the world's growing population. In addition to these information resources, our most essential technical assistance component is our capable technical field staff who help our farmers, ranchers, and nonindustrial private forest land owners at the field level. It is in the field where we are going to address the natural resource challenges now and into the future.

CONCLUSION

The President's budget enables NRCS to continue fulfilling its historic commitment to providing assistance to farmers, ranchers and forest landowners. We will continue to work to find solutions that allow us to provide efficient, effective service to all our customers. This budget provides the resources needed to equip NRCS to confront new challenges such as climate change, manage conservation activities while maximizing food production, and reduce loss of open space. As we explore new opportunities for protecting our environment while creating wealth in rural communities, our conservation efforts will continue to make a real difference in the health and prosperity of the Nation. NRCS employees have stepped up time and time again to manage key programs in an effective manner and we will continue to do so.

I thank members of the subcommittee for the opportunity to appear, and would be happy to respond to any questions.

Senator PRYOR. Thank you.

Ms. Vetter.

SUMMARY STATEMENT OF DARCI L. VETTER

Ms. VETTER. Good morning, Mr. Chairman and Ranking Member Blunt. I'm pleased to be with you today. The Farm and Foreign Agricultural Services (FFAS) mission area has reviewed our programs and developed budget proposals for 2014 that streamline agency operations, improve efficiency, and reduce our administrative costs.

Turning first to the Farm Service Agency, or FSA, our total request from appropriated resources is $1.6 billion, which reflects a modest increase of $83 million from the 2013 level enacted after sequester and rescission are factored in, but a $179 million decrease from our 2012 enacted level.

As you know, FSA provides producers with a broad range of services, from disaster assistance and income support payments, the conservation reserve program, and our loan programs to farming families, and the 2014 budget proposes a total program level of about $5.6 billion, an increase of $1 billion from the 2013 enacted level.

For the 2012 crop year, the Risk Management Agency (RMA) provided a record $117 billion in crop protection on a record 282 million acres of farmland. Due to widespread drought, hurricanes, and other natural disasters, RMA paid out insurance indemnities in excess of $17 billion to producers. But our current projections for the 2013 crop year are that total crop protection will decline to about $82 billion, largely as a result of lower commodity prices.

For the Foreign Agricultural Service, we are of course the lead agency for the Department's international trade activities and are at the forefront of efforts to expand overseas markets and to foster global food security. Our 2014 budget is designed to ensure that FAS has the resources needed to continue these activities globally.

For FAS trade expansion and promotion programs, the budget includes $200 million for the Market Access Program. Our other trade programs are subject to reauthorization and their appropriation levels will be set in the next farm bill.

For the international food assistance programs, the budget includes discretionary funding of $185 million for McGovern-Dole and mandatory funding of $255 million for Food for Progress. For Public Law 480, or title II, no funding is requested as part of the USDA budget, a decrease of $1.4 billion from the 2013 level. Rather, the budget seeks to reform our largest food assistance program by providing $1.47 billion into the accounts of USAID. The goal here is to make our food assistance more efficient by moving away from strictly U.S. commodity assistance and including other options, such as local and regional procurement and cash vouchers. However, the proposal requires that at least 55 percent of the International Disaster Assistance funding be used for the purchase and transport of U.S. agricultural commodities.

PREPARED STATEMENT

Mr. Chairman, thank you for the opportunity to be with you today. I look forward to your questions.

[The statement follows:]

PREPARED STATEMENT OF DARCI L. VETTER

FARM AND FOREIGN AGRICULTURAL SERVICES

Mr. Chairman and distinguished members of the subcommittee, I appreciate the opportunity to appear before you today to present the 2014 budget and program proposals for the Farm and Foreign Agricultural Services (FFAS) mission area of the Department of Agriculture (USDA).

My statement will summarize FFAS agencies' budget and program proposals, after which I will be pleased to respond to your questions.

Mr. Chairman, the FFAS mission area carries out a diverse array of programs and services that support a competitive agricultural system and provide the foundation for prosperity throughout rural America. Price and income support, farm credit assistance, conservation and environmental incentives, risk management tools, and trade expansion and export promotion provide a critical safety net for our producers and have spurred record exports. The importance of this safety net has been apparent particularly during the 2012 drought, the worst since the 1930s.

The 2014 budget reflects a number of legislative proposals that would reduce the deficit by $38 billion over 10 years compared to current baseline spending. Several of these proposals affect the programs of this mission area, and lower the deficit while maintaining a strong safety net for American agriculture. The savings would result, in part, from eliminating direct farm payments, decreasing payments to crop insurance companies and premium subsidies to producers, and capping the Conservation Reserve Program (CRP) at 25 million acres. The budget also proposes to extend some disaster assistance programs for the 2014 through 2018 crops and provides additional assistance to dairy farmers through expansion of the dairy gross margin insurance program.

Also reflected in the budget is the Department's Blueprint for Stronger Service. Since 2009, USDA has undertaken historic measures to save more than $700 million in taxpayer funds through the streamlining and modernization of management and operations. These improvements have allowed the Department to strengthen its mission of building a stronger middle class and economy in rural America and to continue the success of American agriculture. The Blueprint for Stronger Service takes a realistic view of the needs of American agriculture in a challenging budget climate, and outlines USDA's plans to renew and accelerate the delivery of services and enhance the customer experience through the use of up-to-date technologies and business solutions. Ultimately, these improvements will help producers and rural businesses drive America's economy and respond to 21st century challenges.

Today, American agriculture is strong, with record income and exports over the past 4 years. During that period, our mission area has worked hard to do more with less, to manage current and future budget challenges, and to ensure that critical investments in rural America continue. Specifically, FFAS has taken a variety of steps to cut costs and improve services, including:

—Saved $4 billion over 10 years with the negotiation by Risk Management Agency (RMA) of a new standard reinsurance agreement for the Federal Crop Insurance Program;
—Cut travel, printing and supplies budgets;
—Cut burdensome paperwork for farmers and administrative costs for RMA and FSA condensing 70 common dates down to 15 for reporting acreage and crop data;
—Consolidated 125 service centers in compliance with the 2008 farm bill while improving high quality service from the remaining 2,100 plus offices;

—Closed two overseas locations while strengthening trade policy, trade promotion, and capacity building efforts in 96 international locations; and
—Implemented employee buy-out and early-out authorities. All three agencies are operating with fewer staff. Staffing levels in Farm Service Agency (FSA) have declined 32 percent since 2003; and, during the past decade RMA staff years declined by nearly 8 percent, while the value of insurance protection has more than tripled.

FARM SERVICE AGENCY

FSA provides producers with a broad range of helpful services, such as farm ownership and operating loans, disaster assistance, income support payments, commodity marketing assistance loans, and certain conservation programs, such as the CRP. FSA administers discretionary programs as well as mandatory programs that are funded through the Commodity Credit Corporation (CCC).

Salaries and Expenses

The 2014 budget requests $1.49 billion for salaries and expenses from appropriated sources, including credit reform transfers. This level is adequate to maintain a staffing level of 4,436 Federal staff years and 7,980 non-Federal staff years.

We are grateful for the subcommittee's support for FSA's efforts to upgrade its aging information technology. FSA continues to implement paperless, Web-based services and more streamlined business applications for more timely, more accurate, and more reliable service to farmers and ranchers. This year, FSA expects to reach its target of 76 percent of FSA programs with Web-enabled applications and plans to boost this to 88 percent in 2014.

The 2014 budget also recommends $65.5 million in funding for the continued development and operation of MIDAS (Modernize and Innovate the Delivery of Agricultural Systems). In 2012, FSA developed the first version of MIDAS and began testing the system to prepare for implementation. The first version of the MIDAS system was released in April 2013 and provides farm records, customer data, and acreage reporting with GIS mapping capability. For the first time, FSA staff now has access to this data through a single operating system, eliminating the need for staff to re-enter data because the systems were not interlinked. This change alone will speed the application process, reduce input errors, and improve program compliance and integrity.

Commodity Credit Corporation

The farm commodity price and income support programs are financed through the CCC, a Government corporation for which FSA provides operating personnel. CCC also provides funding for conservation programs, including CRP and certain programs administered by the Natural Resources Conservation Service. CCC also funds some export promotion and foreign food aid activities administered by FAS. The commodity programs were mandated by provisions of the 2008 farm bill. The American Taxpayer Relief Act of 2012 (ATRA) extended the authority to operate some farm bill programs through 2013.

Under provisions of current law, CCC outlays are projected to be $10.1 billion in 2013 and $9.1 billion in 2014, down from the record high of $32.3 billion in 2000. The reductions since 2000 are due primarily to reduced commodity program outlays, reflecting higher prices for most commodities. Commodity prices are expected to remain relatively robust into 2014 resulting from strong exports and demand for production of bio-based products and bio-energy. The increase in CCC outlays from 2012 to 2013 reflects 2008 farm bill changes which eliminated the option for producers to receive advance direct payments. This shifted some direct payments that would have been paid in 2012 into 2013.

Conservation Reserve Program

CRP is a voluntary program that provides annual rental payments and cost-share assistance to agricultural producers in return for establishing long-term plant cover on highly erodible and other environmentally sensitive farmland. CRP assists farm owners and operators to conserve and improve soil, water, air, and wildlife resources. Since CRP began in 1985, over 8 billion tons of soil has been prevented from eroding, with an estimated 308 million tons in 2012 alone. Approximately 200,000 stream miles are protected with CRP riparian and grass buffers.

Twenty-seven million acres were enrolled in CRP as of March 2013. In 2012, FSA held a general sign-up, accepting 3.9 million acres while contracts expired on 6.5 million acres. The American Taxpayer Relief Act of 2012, provided USDA the authority to enroll new acres in CRP through 2013. Contracts on 3.3 million acres will expire at the end of 2013; however, USDA will hold a general sign-up from May 20 to June 14, 2013. FSA also offers "continuous" signup, which now makes up about 20 percent of total CRP acreage. The budget baseline projects CRP enrollment will end at about 27.6 million acres for 2014.

Farm Loan Programs

FSA plays a critical role for our Nation's agricultural producers by providing a variety of direct loans and loan guarantees to farm families who would otherwise be unable to obtain the credit they need to continue their farming operations. By law, a substantial portion of the direct and guaranteed loan funds are reserved each year to assist beginning, limited resource, and socially disadvantaged farmers and ranchers. In 2012, 66 percent of direct loan funds went to beginning farmers. To further assist small and socially disadvantaged farmers, FSA recently implemented a streamlined microloan program, under the authorities of the direct operating loan program.

The 2014 budget proposes a total program level of about $5.6 billion. Of this total, over $1.9 billion is requested for direct loans and about $3.7 billion for guaranteed loans offered in cooperation with private lenders. These levels reflect credit usage forecasts at the time the budget was developed. Due to the excellent performance of the farm loans portfolio, we will be able to provide this level of assistance with just $92 million in budget authority. With this funding, we will be able to serve about 34,000 farmers and ranchers.

RISK MANAGEMENT AGENCY

The Federal crop insurance program represents the primary risk-mitigation tool available to our Nation's agricultural producers. It provides risk management tools that are market driven and reflect the diversity of the agricultural sector; including specialty crops, organic agriculture, forage and rangeland, as well as traditional row crops.

Over its 75-year history, the value of the Federal crop insurance program to American agriculture has grown. In 2012, the crop insurance program provided coverage on more than 282 million acres of farm and ranch land and protected nearly $117 billion of agricultural production. This represents a 10-fold increase from the $11 billion in crop insurance protection provided just two decades ago. We currently project that indemnity payments to producers on their 2012 crops will be about $17 billion on a premium volume of about $11 billion. Our current projection for the 2013 crop year shows the value of protection will decline, to about $82 billion. The decline is based on the Department's November 2012 estimates of planted acreage and expected changes in market prices for the major agricultural crops.

The 2014 budget requests an appropriation of "such sums as are necessary" as mandatory spending for all costs associated with the program, except for Federal salaries and expenses. This level of funding will provide the necessary resources to meet program expenses at whatever level of coverage producers choose to purchase. For salaries and expenses of the RMA, $71 million in discretionary spending is proposed to support 455 employees. Compared to 2010's $80 million appropriation that supported 528 employees, it is a reduction of nearly 11 percent and about 14 percent, respectively.

FOREIGN AGRICULTURAL SERVICE

Agricultural trade significantly contributes to the prosperity of local and regional economies across rural America through increased sales and higher commodity prices. USDA estimates that every $1 billion of agricultural exports generates $1.3 billion in economic activity and supports 6,800 American jobs throughout the economy. The Department, with the FFAS mission area in the lead, plays an important role to remove agricultural trade barriers, develop new markets, and enhance the competitive position of U.S. agriculture in the world marketplace.

U.S. farm exports reached $135.8 billion in fiscal year 2012, the second highest total on record, and the agricultural trade surplus reached $32.4 billion. The fiscal year 2013 forecast for U.S. agricultural exports was recently revised to $142 billion—the highest total on record. In 2013, agricultural exports are expected to contribute a positive trade balance of $29.5 billion to the Nation's economy. For U.S. agriculture to continue to thrive, we must continue to open, expand, and maintain access to foreign markets, where 95 percent of the world's consumers live.

Fiscal years 2009 through 2012 represent the strongest 4 years in history for agricultural trade. To achieve this, USDA worked with the Office of the U.S. Trade Representative, the Department of Commerce, the White House, Congress and industry stakeholders to gain approval for new trade agreements with Panama, Columbia, and South Korea. These agreements will result in an estimated $2.3 billion in additional agricultural trade each year and support nearly 20,000 domestic jobs. Since 2009, the United States has also entered into free trade agreements with Jordan, Oman and Peru; and an organic equivalency agreement with the European Union. This progress will be continued under President Obama's National Export Initiative, which has set a goal to double U.S. exports by the end of 2014.

Today, Foreign Agricultural Service (FAS) trade negotiators are involved in two major negotiations: the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP). The TPP is an opportunity to shape a high-standard trade agreement in a region that represents more than 40 percent of global trade. Key objectives in the TTIP negotiations are to eliminate duties on agricultural goods and eliminate or reduce trade distorting non-tariff barriers between the United States and the European Union (EU), currently our fifth largest agricultural export market. Expanding markets abroad creates more jobs and boosts the bottom line for companies all along the supply chain.

As we work to open new and maintain existing markets overseas, we face many challenges and barriers that must be addressed. In the past year, FAS and has been instrumental in resolving numerous sanitary, phytosanitary and technical barriers to trade. USDA efforts to remove trade barriers led to billions of dollars in additional U.S. exports around the world in fiscal year 2012. We've expanded beef market access with Japan, Mexico, and Hong Kong. We've removed barriers in the Korean market to U.S. cherries—U.S. cherry exports to Korea for the 2012 season totaled nearly $74 million, compared to $39 million in the previous year. We have also participated in negotiations with the European Union that resulted in the elimination of its ban on the use of lactic acid as a pathogen reduction treatment on beef and discussions that led authorities in Taiwan to adopt and implement a maximum residue limit for ractopamine in beef. Monthly shipments of U.S. beef to Taiwan more than doubled from $2 million to $5 million per month and remain at record levels.

The FFAS mission area also makes a significant contribution to the Department's strategic goal of enhancing global food security. Through foreign food assistance, technical assistance, training, and capacity building activities, we are working closely with other U.S. departments and agencies to address global food insecurity. USDA is well positioned to encourage the adoption of new technologies and production practices that can help increase the availability of food and improve its marketing and distribution.

Salaries and Expenses

FAS is the lead agency for the Department's international activities and is in the forefront of our efforts to expand and preserve overseas markets and foster global food security. FAS carries out its activities through a network of 96 overseas offices and its headquarters staff here in Washington. FAS overseas staff represents American agricultural interests world-wide.

The 2014 budget is designed to ensure that FAS has the resources needed to continue to represent and advocate on behalf of American agriculture on a global basis and to create new market opportunities overseas. The budget provides a program level of $185 million. This level of funding is expected to be sufficient to maintain the agency's overseas presence at current levels. The budget reflects ongoing cost avoidance in headquarters through the continuation of a hiring freeze and further reductions to travel and training.

In 2012, under the Blueprint for Stronger Service, FAS closed two overseas offices. The 2014 budget provides an increase of $1.5 million for higher operating costs at the agency's overseas posts, including increased payments to the State Department for administrative and security services provided at overseas posts. FAS has no administrative staff overseas and, therefore, relies on the State Department for those services.

International Food Assistance

For the McGovern-Dole International Food for Education and Child Nutrition Program, the 2014 budget provides funding of $185 million. The requested level is expected to assist as many as 4.3 million women and children during 2014. About 34 million children throughout the world have now received benefits from the McGovern-Dole program and its predecessor, the Global Food for Education Initiative.

The 2014 budget proposes to replace $1.47 billion in funding for Public Law 480 title II food assistance with an equivalent amount in U.S. Agency for International Development accounts, including International Disaster Assistance (IDA). The proposed reform replaces title II funding with robust levels of flexible emergency food aid and related development funding, with the goal of making food aid more timely and cost-effective. The reform will improve program efficiencies and performance by shifting resources to programs that will allow greater ability to use the right tool at the right time for responding to emergencies and chronic food insecurity. The tools include interventions such as local and regional purchase, cash vouchers and transfers, and cash for work programs. As part of the reform proposal, appropriations language is included requiring that at least 55 percent of the requested fiscal year 2014 IDA emergency food aid funding be used for the purchase and transport of U.S. agricultural commodities.

Food assistance will also be provided through the Food for Progress program that FAS administers. The 2014 budget includes an estimated program level of $255 million for this CCC-funded program, which supports the adoption of free enterprise reforms in the agricultural economies of developing countries.

Export Promotion and Market Development Activities

The CCC export credit guarantee programs (GSM–102 and Facilities Guarantee) provide payment guarantees for the commercial financing of U.S. agricultural exports. The guarantees facilitate sales to buyers in countries where credit is necessary to maintain or increase U.S. sales. For 2014, the budget includes a program level of $5.5 billion for the CCC export credit guarantee programs.

For the foreign market development programs, the budget includes a program level of $200 million for the Market Access Program. The remaining programs, including the Emerging Markets Program, Foreign Market Development Program, and Technical Assistance for Specialty Crops Program are subject to reauthorization and funding levels are expected to be established in the next farm bill.

Mr. Chairman, this concludes my statement. Thank you for the opportunity to present our 2014 budget and program proposals. I would be pleased to answer any questions you and other members of the subcommittee may have.

Senator PRYOR. Thank you.

Let me, if I may, start with you, Ms. Vetter.

Senator BLUNT. Does Mr. Young have a statement?

Senator PRYOR. Mr. Young, you don't have a statement, right?

Mr. YOUNG. Right.

Senator PRYOR. Senator Blunt just wanted to make sure you didn't want to speak your piece before we got under way here.

TRADE BARRIERS

Ms. Vetter, let me ask you, if I may. As you know, you're well aware U.S. agricultural exports are at record levels, and that's great news. That's great news for the country, it's great news for rural America, great news for our farmers. The question is, what are the biggest challenges we face to ensure the competitiveness of U.S. agricultural products as we go forward?

Ms. VETTER. Thank you, Mr. Chairman. We face, frankly, a variety of trade barriers, but as global trade liberalization has advanced those tend to be less on the tariff side and instead tend to be more on sanitary and phytosanitary, or SPS, barriers to our products. In particular, we've seen a number of challenges to the export of our meat and poultry products over the years and are particularly focused now on key barriers with Russia and China, two of our largest markets and with great expansion potential.

Specifically, we're looking at barriers that have been imposed on the use of the veterinary drug ractopamine. We continue to push other governments to adopt the international standard for that and we'll continue to do so and to work closely with industry on ways that we may reopen the Russian market in particular.

We have seen some real progress on the bovine spongiform encephalopathy (BSE) front, where a number of markets have remained closed or partially closed to U.S. beef and beef products. Hong Kong did significant market opening earlier this year. Japan is now accepting our beef products under 30 months of age, and we continue discussions with Mexico as well, who has opened to all of our products under 30 months at this time.

Senator PRYOR. Thank you.

ELECTRIC LOANS

Mr. O'Brien, let me move to you if I can. Your budget proposes significant restrictions on the ability for rural electric cooperatives to use the electric loan program for fossil fuel-related activities. I hear a lot of concern from the Arkansas electric coops, and my guess is you hear that from around the various States, because as it turns out the cooperatives tend to use a lot of fossil fuels in electricity generation.

So approximately—tell us how your proposal would change things and give us a sense of how much of your loan program this year will be used to support renewable fuel activities versus more traditional activities?

Mr. O'BRIEN. Thank you for that question, chairman. You're right, this is certainly something we've heard from a number of cooperatives across the country. The proposal I think recognizes the need to incentivize a change within the energy mix for rural America. We have seen this year—we're working on an 80-megawatt loan right now that does envision using renewable energy, and we're working with industry and with the coops on cultivating some other loans.

The proposal itself would utilize a $3 billion program level for projects that would utilize renewable energy. The proposal also envisions up to $1 billion of financing for environmental upgrades for fossil fuel, fossil fuel plants.

Senator PRYOR. So give me those numbers again?

Mr. O'BRIEN. It's $3 billion for projects that utilize renewable energy, program level of course, and then $1 billion—and that's a floor. I should make that clear. It is a little bit confusing. The $3 billion is a floor. If we have greater demand than that, we can utilize the total $4 billion program level.

The $1 billion is a cap and that cap would relate to improvements, environmental improvements for existing plants.

PLANT MATERIALS CENTERS

Senator PRYOR. Ms. Mills, let me follow up. Let me ask you a question and then I want to turn it over to Senator Blunt. As you know, there are 27 Plant Materials Centers (PMCs) around the country. They do all kinds of different things. Of course, we have one in Booneville, Arkansas, which I'm kind of partial to, and I'm sure other members have them in their States. There's actually broad support for these in Congress.

The budget request, though, has a decrease of nearly $1 million for these PMCs. Is USDA planning to close or consolidate any of those centers?

Ms. MILLS. Thank you, Mr. Chair. I agree with you that these Plant Materials Centers are really important to helping support the mission of NRCS in testing and providing important vegetative and other plants to adapt to changing climate. What has happened since 2011 is we've seen a 22-percent cut in the Plant Materials Center budgets. So right now we are going through a process of considering how we're going to absorb those cuts. We are doing that very carefully, with an underlying commitment to making certain that we can continue to service all regions of the country as we go forward.

We're in those beginning stages of making those determinations, but we'd be very happy to work with you and other members of the subcommittee as those decisions are being made.

Senator PRYOR. That would be great. But right now, are you saying there's no plans to close those or you don't know yet?

Ms. MILLS. We don't know yet. We're still going through a deliberative process at this point. But we are committed to ensuring that, whatever path we go down, we are going to continue to ensure that our plant material service centers are going to be able to service those regions and those communities that depend on them.

Senator PRYOR. Senator Blunt.

WATERSHED PROJECTS

Senator BLUNT. Thank you, chairman.

Secretary Mills, on the Watershed Protection and Flood Prevention Act there's a program, Public Law 566, that we haven't funded in 3 years and there's no funding here for that program, though I know there are at least two Missouri projects and I assume a few others that are in the middle of getting done what they wanted to get done and had anticipated that this would be available.

Do you see any future for this program?

Ms. MILLS. Ranking Member Blunt, yes, actually I'm familiar with those two projects and some of the other projects that have been in the process of being developed. I know that NRCS helped in the early stages to develop plans for the two projects.

Unfortunately, as you mentioned, the program has not been funded. So that creates one of those challenges that we're facing with this program and other programs—very tough budget challenges we're facing in the tough decisions we have to make. That said, we would be happy to come up and visit with you to talk about these projects if you would like.

Senator BLUNT. Well, that would be helpful. I think—and Mr. Young, you might know this, or Ms. Mills, you might. Did we put money in the Senate bill last year for these programs and then you had to use it because of the overall cut? I think it was in the Senate bill. I don't know if it was in the final bill.

Ms. MILLS. Mr. Young may be aware of that. I would defer to him, or we could certainly get back to you.

Senator BLUNT. There was a little money in the conference report that we approved, but I think that account has been decided you needed that money worse in other places.

Mr. YOUNG. Well, yes, sir. Actually, Mr. Blunt, it was included within the rural development area.

Senator BLUNT. Right.

Mr. YOUNG. And I believe that the funding level, the program level, was $40 million.

Senator BLUNT. $40 million. But it's no longer—it had to be used for some other purpose, or is it still there?

Mr. YOUNG. It's still there.

Mr. O'BRIEN. Actually, it is still there and we are working with some applicants right now, and we'd be happy to discuss sort of where we are in the process and discuss with your staff or with you.

Senator BLUNT. That would be great, and I'd be very interested about whether those applicants would be people that already you've worked with before, that are well on the way. Approving a new project here, a brand new project, I don't think would be the right thing to do, and that's not just—because there are a handful of these that really, some of them have had local levies, local votes to provide the local money. Really, I'd like to talk about that.

CENTER OF EXCELLENCE

Mr. O'Brien, the big service center for your system is in St. Louis. I think I was out there with the Secretary not too—a couple of years ago when that was expanded. You're working to make that a center for excellence, as I understand it?

Mr. O'BRIEN. The centralized service center in St. Louis, as you say, it's basically our back office. It's our operation that maintains the integrity primarily of that $185 billion portfolio that you mentioned. We do see that as a great asset for the Federal Government and we do envision that it could do more for the Federal Government.

In this year, because of the reduction in staff we've really focused on making sure that the operations at CSC are responding to our burgeoning portfolio and particularly the single family guaranteed loan program, and we do look forward to continuing to examine the possibilities. It is a resource question where we feel like we really need to make sure that we have a very good handle on the current responsibilities we have to protect the integrity of the portfolio and look from there.

Senator BLUNT. And your view is that you could use that facility and the structure you have in place there for other loan service in the Federal Government beyond Rural Development?

Mr. O'BRIEN. We think that there's some opportunity there. As you very well know, there are different operations in locations that the Federal Government, that USDA uses. For instance, in New Orleans there's a group that does a lot of back office work for different agencies even outside of USDA. We think that we could, with the right resources, we could have the expertise and capacity to service other parts of the Federal Government. But at this point we're really focused on sort of making sure that we can take care of the big portfolio that's coming through.

TRADE DISCUSSIONS

Senator BLUNT. Ms. Vetter, in the trade discussions that are out there, what do you think are going to be the biggest challenges for agriculture in those discussions? What you mentioned earlier, the nontariff barriers or the standards?

Ms. VETTER. Those of course will be at the top of the list, although the market access discussion and making sure that we get good access for the full range of U.S. agriculture products will be challenging. But we note that both in the Trans-Pacific Partnership negotiations and in our negotiations that we are launching with the European Union (EU) there is a commitment to making these a comprehensive agreement.

I think for the Trans-Pacific Partnership we are in fact putting more emphasis on regulatory matters and making sure that our partners in that agreement maintain a high degree of transparency and meet their international commitments in acceptance of our products on that level. I would note that in this agreement, the countries that have signed on have again committed themselves to a comprehensive structure. Part of the reason it's so important that we engage in the Trans-Pacific Partnership is that there are a number of other sort of trade agreements of convenience throughout that region where countries have sort of left out hard areas like agriculture. So getting a number of the countries in that very dynamic region to sign onto comprehensive talks, I think, is important in and of itself.

In the European Union (EU), I know you're aware that we face a number of nontariff barriers, particularly in biotechnology and in beef hormones, other areas, that really restrict or have restricted our growth in trade. We're going to have to find a way to look at how we normalize trade in those areas under this agreement. Frankly, I don't expect that we will change the EU's whole approach to regulation, but I think we can take a hard look at how they apply those measures and find a way that makes their trading environment a lot more predictable and open to U.S. products.

RACTOPAMINE TRADE BARRIER

Senator BLUNT. You mentioned with ractopamine that our view is that both China and Russia are not looking at the international standard, which we meet?

Ms. VETTER. That's right. Russia has in fact restricted our trade or stopped our trade in our meat and turkey products based on ractopamine. We continue to push at the Government level and note with them that we think in fact those measures are inconsistent with their international trade obligations. We are also working with our beef and pork industries to look at a ractopamine-free program that those in the industry who could meet—that could use to access the Russian market. But we will not stop pushing them for a removal of the barrier.

China on March 1 imposed new restrictions that require a testing result to be sent to China showing the lack of ractopamine in product. But they have not asked for U.S. Government assistance or assurance in this product and we don't actually see it affecting trade at this time. But we continue to consult with China about the safety of ractopamine and encourage them to apply the international standard.

Senator BLUNT. I know you're very familiar with it. Am I right in remembering that, Taiwan, have they decided that ractopamine in beef products is acceptable, but not yet in pork products? And what could the rationale for that be?

Ms. VETTER. Well, you are correct that we're pleased that, after the Codex adopted that international standard for ractopamine this summer, Taiwan did move forward and implement that standard for beef, but not for pork. Frankly, that's largely due to political difficulties with their own pork industry. We continue to push them to adopt that standard for pork as well and provide them with a lot of safety information to provide greater assurance about the safety of our products. But it's a difficult issue for them, and we will continue pushing them to resolve it.

At the Trade and Investment Framework Agreement, the TIFA agreement we have with Taiwan, this was a key agenda item for the United States that we raised with them, and we'll continue to do so.

CHINA POLICY ON DEHYDRATED POULTRY PRODUCTS

Senator BLUNT. On one specific instance that I think we told you yesterday I was going to ask about, there's a company in Springfield, Missouri, International Dehydrated Foods, that we tried to help, because last year China changed its policy on importing dehydrated poultry products, in the case of this company after they already had product en route, and it just sat there for quite a while.

Particularly in the poultry industry, where Senator Pryor and I live, the ability to send some of that product out of the country and even in a dehydrated fashion really matters. I think we wrote you a letter, we wrote a letter, or you wrote a letter to Ambassador Locke about this issue in October 2012. I haven't seen a response to that letter from the Ambassador to you, and I hope you're continuing to try to resolve this favorably.

My guess is that the product went somewhere and may or may not have been destroyed, but I do know that the company lost the value and the control of the product. Do you have any new information on that?

Ms. VETTER. At this point I do not. I was in China in March and our Minister-Counselor in Beijing, Scott Sindelar, briefed me on this problem. He had had some recent discussions and had raised this issue with Chinese officials. I think we are frankly trying to ascertain why the change in policy occurred with China and to try to figure out exactly what their food safety concerns might be with that product and provide them with the information to resolve that.

That has been a bit more difficult than I think we thought might be the case, but we continue to work on it. It is a priority and we will keep you and your team updated on our progress on this issue.

Senator BLUNT. I think where you have trading partners that change the rules after things have been shipped and then wouldn't even let this be shipped back—it was there and it sat there until it lost value—is a problem.

Chairman, I have a couple of other questions, but go ahead if you have some more.

Senator PRYOR. Thank you.

RURAL BUSINESS AND COOPERATIVE GRANTS

Mr. O'Brien, let me start with you if I may. In the world of economic development, your budget proposes consolidating five programs into one. Let me say I have some concerns about that. So let me ask kind of a two-part question. First, this is a new program, new approach, and wouldn't it be better to have that authorized in the farm bill? That would be my first question. Since that's on the floor this week, it makes sense to do that.

My second question would be: If this does occur, how do you ensure that these disparate needs, because these five existing programs are pretty different and serve different needs out there, how do you ensure that all those needs get met in this one big program?

Mr. O'BRIEN. Mr. Chairman, thank you for that question. Certainly there are a number of very important considerations and needs that these grant programs serve. In fact, just earlier this week I had an opportunity to spend a couple days in northwest Arkansas, and I saw some of the fruits of these grants. We utilize a number of these grants within the Strike Force arena in Arkansas in partnership with Heifer in a great farmers market project in Newport.

To get right to your questions, certainly the authorizers are considering some similar strategies to consolidate and streamline the grant programs. Actually, it is in the underlying bill that's being considered right now, some of these ideas.

I think the reason why we thought it was appropriate within the fiscal year 2014 budget is that the way we envisioned this approach is that it would utilize current authorities. There's no new authorities. We'd simply consolidate and streamline the authorities into one grant program, for two very simple reasons. One is to streamline. We have five different grants, five different application periods, five different basically work flows that our State and national staff need to work through.

I think to your most important question, how do we assure that the different areas and the different needs are met, we think that with the proper discretion that we'd be able to craft a program that could continue to focus the grants on those in most need, to make sure to serve the cooperative community, and we'd be able to do that through prioritization and making sure we make clear that the different entities are eligible for the program.

Senator PRYOR. I'd like to just follow up on that after the hearing at some point, because all that's important. I just have concerns there.

WATER AND WASTE PROGRAM

Let me also stay with you, Mr. O'Brien, if I can. I want to talk to you about the USDA's water and waste loan/grant programs. As you know, these are very popular, heavily utilized programs. To me, what I'm seeing in the administration's proposal, it kind of falls into the category of those who need it the most can afford it the least.

So when I look at your numbers I see that the budget cuts the grant level by about $110 million, while the loan level is increased by about $275 million.

Mr. O'BRIEN. Right.

Senator PRYOR. So I guess again a two-part question here. What caused the administration to do such a big change in this popular program and what's the administration's analysis about how that will change the effectiveness of the program?

Mr. O'BRIEN. Thank you for that question. It's a terrifically important program for small communities dealing with their water and waste water issues. To your first question, what caused the change, three things. One, simply the tough budget environment that we all find ourselves in.

Number two, historically low interest rates make it possible for some small communities that otherwise with more traditional interest rates wouldn't be able to access some dollars and have a sustainable financing, that we think they'll be able to do it. In fact, the cohort, the lowest interest rates for the poorest communities, is down to about 2⅛ percent right now, so it's some nice low interest rates.

The third thing is the subsidy score for the direct loan component of the water program went to zero this year, which means that we could grow that program level with no budget authority. So we grew that significantly, as you mentioned. We think that, given the fiscal situation we have, it is the right mix.

You asked about what type of analysis. What we do know is that in fiscal year 2012 over 74 percent of the dollars were loan dollars. So the primary financing mechanism currently is already loan dollars. In that year 80 percent of those dollars went to communities of 5,000 or fewer and 55 percent went to communities of 1,500 or fewer. So we know from the past that we'll be able to continue to serve communities in the future.

I think again it's these historically low interest rates that make this possible to work in 2014. In another year there might have to be another mix. So thank you for that question.

Senator PRYOR. Senator Blunt.

RENTAL ASSISTANCE PROGRAM

Senator BLUNT. Mr. O'Brien, on the rural housing rental assistance, what are you doing with that under the current budget and will there be any impact to people in that program between now and September 30? If you want to go beyond that, what impact then do we have based on what we do this year on next year?

Mr. O'BRIEN. Right. As you know, Senator, it's an issue that's been highlighted by the Secretary when he was here before you recently. It is an area where we're very concerned on the impact of sequester and the rescission from the final fiscal year 2013 appropriations bill. There is an impact, but I think what I can assure you is that, to the tenants who live in those multifamily properties, we do not envision a negative impact on the tenants in the near term.

There will be some—what we need to do with the owners of those properties is—and we've begun to alert people. We sent a letter out over 1 month ago to all the owners to let them know that as we work through the funds, which frankly the funds are not sufficient to meet all the renewals that we project this year—we're short maybe around $65 million—that we will work with those owners that we do not have the resources to do the renewal in a number of workout authorities that we have, such as deferring loan payments, extending the loan, allowing them to use their reserve account.

Come about in June next month, certainly in July, we're going to know exactly which owners are going to be affected and we're going to start working with each of those to make sure that they can get through this fiscal year and be able to renew their contract and keep their properties up.

Fiscal year 2014, the proposed number that we provided you in the budget was based on basically a situation before sequester and before the rescission. So in 2014 some of the numbers, basically that backlog, if you will——

Senator BLUNT. Things that don't get paid in September, that get paid in October?

Mr. O'BRIEN. Precisely. We plan to—very early in October, we're going to renew those contracts, and it will cause sort of a cascading effect into the next fiscal year. We're working through exactly what that number is. We've implemented a number of cost-saving strategies this year, so I don't think—in fact, I'm sure it's not going to be that $65 million. We didn't push the whole $65 million into next year. It's a number somewhat smaller than that. And we'd be happy to work with your staff on exactly kind of what we know and what our best estimate is right now.

ELECTRIC LOANS

Senator BLUNT. On the rural electric coop effort that Senator Pryor talked to you about, can electric cooperatives under the proposal that the President made in this budget, would they be able to finance distribution or transmission projects?

Mr. O'BRIEN. They would for those distribution projects that are related to a renewable energy effort. So it's a qualified yes, I think.

Senator BLUNT. Since 100 percent of the $4 billion could go to renewables, there'd be nothing for anything but renewables in that $4 billion?

Mr. O'BRIEN. There's up to $1 billion for environmental upgrades.

Senator BLUNT. You said unless there was more than $3 billion in requests on the other column.

Mr. O'BRIEN. Yes. I think exactly it probably would be a timing question. But there is up to $1 billion allowed for environmental improvements, and then at least $3 billion allowed for projects related to renewable energy.

Senator BLUNT. Well, I don't agree with that, but we'll talk about that more. I think this is a big mistake for these cooperatives. I assume if it's a one-time mistake that they'll all survive and continue to do the best they can to provide electricity at the level that they can provide it, at the cost that people can afford to pay for it.

But every time we make rules and regulations that are either impossible to comply with or you do have to comply and it's too expensive, the poorest customers are the customers that are most dramatically impacted by this. The people that get the last better windows, the last people to get the better windows, the last people to get the energy efficient refrigerator, the last person to get more insulation in the ceiling, they're the people impacted the most.

When you take a program like this that's been well used—I mean, these cooperatives—72 percent of the geography of the country is served by rural electric coops. I think it's a mistaken policy, but we can talk about it more and look at it more. Putting all the eggs in a renewable basket I believe is a mistake.

EMERGENCY WATERSHED PROTECTION PROGRAM

I had one question, Ms. Mills, on water. We use a lot of it in the Mississippi River. I think of the 13 States that use one of those projects, we would be 2 of them. Was there money available in any of the disaster relief that let's you use that program more effectively?

Ms. MILLS. Sir, we've got—certainly we've got dollars that are allocated for Hurricane Sandy, I believe it's $171 million after the rescission. We have to work our way through that process. In terms of whether or not there's a balance left over after that to repurpose, we will certainly take a hard look at that later.

We have prepositioned money for EWP funds in the Upper Midwest and the Mississippi River Basin in the event that communities need relief assistance there.

Senator BLUNT. Okay.

Ms. MILLS. I'd be happy to follow up with your staff on this question.

MISSISSIPPI RIVER BASIN INITIATIVE

Senator BLUNT. Well, what about the Healthy Watershed Initiatives in the Mississippi River?

Ms. MILLS. Yes. The Mississippi River Basin Healthy Watershed Initiative (MRBI) is one of our most significant and very successful initiatives. The 13 States you mentioned, where we are using our science and our partnerships—we have roughly an average of nine partners per priority watershed there. In States like yours and Arkansas—in fact, Arkansas and Missouri are the two highest receiving States of MRBI dollars, and that's a testament to, frankly, the quality of the projects that are being submitted and the interest in both farmers and ranchers and the strong partner base there.

So we're very excited. We're in our fourth year in the Mississippi River Basin Initiative and it's been extremely effective at putting conservation dollars on the ground in those watersheds, where we're going to see significant water quality improvement.

Senator BLUNT. Okay.

Chairman, I may have some other questions to submit later, but that's what I have today.

Senator PRYOR. Thank you, Senator Blunt.

I too have—actually, I have a long question. I'm just going to submit it for the record, but I'll just tell you about it. Basically, I know what you've gone through with sequestration so far and my guess is you've hit a lot of low-hanging fruit. I mean, it hasn't been easy, but it's going to be easier this year than going forward.

The question is really for each one of you, kind of in your subject areas, what sequestration looks like in the future years. So I'll ask that question in writing because that's a long, detailed answer. But I'd appreciate that.

So let me just say thank you all for being here. I'm sorry for the hurried-up nature of the hearing today. They've called the vote and we're about to walk over and do that.

ADDITIONAL COMMITTEE QUESTIONS

For the members of the subcommittee, any questions that you'd like to submit for that hearing record should be submitted within 1 week, which is Thursday, May 30. We would appreciate USDA's responses within—I'd love to say within 2 to 3 weeks after that, but certainly within 4 weeks of that time.

[The following questions were not asked at the hearing, but were submitted to the Departments for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO DOUG O'BRIEN

QUESTIONS SUBMITTED BY SENATOR MARK L. PRYOR

CHANGES TO THE ELECTRIC LOAN PROGRAM

Question. Mr. O'Brien, this budget proposes significant restrictions on the ability of rural electric cooperatives to use the electric loan program for fossil fuel-related activities. Electric cooperatives in Arkansas are concerned that they would not be able to build electric generation with Rural Utilities Service (RUS) loan funds unless it is in conjunction with an intermittent renewable project.

Will you please summarize the restrictions this proposed language would place on eligible program activities?

Answer. The President's budget for fiscal year 2014 proposes a total of $4 billion for the principal amount of new guaranteed rural electric loans under section 306 of the Rural Electrification Act of 1936 (7 U.S.C. 936). The proposal would provide $3 billion to be used for: (1) renewable energy projects; (2) new or existing fossil-fueled electric generating plants with carbon sequestration systems; or (3) new or existing fossil-fuel electric peaking units that operate in conjunction with generating plants that produce electricity from solar, wind, or other intermittent sources of energy. The proposal also would make available up to $1 billion for environmental improvements to fossil-fuel electric generating plants to reduce emission of air pollutants including greenhouse gases.

This proposal recognizes the need to incentivize a changing energy mix in rural America and supports the administration's energy policy. The proposal would allow lending for transmission and distribution system investments associated with renewable generation, environmental improvements and eligible fossil-fuel generation projects.

Question. Approximately how much of your loan program this year will be used to support renewable fuel activities? Do you expect to see $4 billion in demand for renewables in fiscal year 2014?

Answer. At present we are reviewing about 100 megawatts of proposed new renewable electric generation projects that may go to the loan committee next year. We are continuing to work with electric cooperatives, the industry, and potential new borrowers to cultivate additional renewable generation loan applications for fiscal year 2014.

Question. Isn't it true that rural electric systems rely more heavily on fossil fuels than urban systems do?

Answer. Rural electric systems serve almost 75 percent of the Nation's land mass and are concentrated in regions that are more dependent on fossil-fired generation than more urbanized areas. Like all prudent utility systems, rural cooperative borrowers strive to maintain a balanced and diverse portfolio of fossil and non-fossil generation resources and demand side resources to meet the needs of their customers for safe, reliable, and affordable electricity.

Question. This proposal concerns me, because it seems like it may create a regional bias against financing electricity improvements in States like Arkansas, where wind and solar development are not as feasible. I also have concerns about loans to distribution co-ops under this proposal. Rural Utilities Service (RUS) has a 75-year partnership with the co-ops and I hope that partnership continues. Without this partnership I expect to see the costs for these projects to rise which may result in higher electricity costs.

Will you work with me and my staff to find a solution to this so we can hopefully avoid increased electricity costs?

Answer. We look forward to working with you to continue to provide the benefits of our rural electrification loan program and other Rural Development programs to help keep energy affordable for rural homes and businesses.

BROADBAND

Question. Mr. O'Brien, rural broadband providers have relied on access to the Universal Services Fund to be able to extend broadband services to remote rural areas.

Please bring us up to date on the status of Federal Communications Commission changes in rural providers' access to the Universal Services Fund.

Answer. We remain committed to working with the Federal Communications Commission (FCC) to ensure that the promise of section 254 of the Telecommunications Act of 1996 be fully realized. Sufficient, predictable, and specific Universal Services Fund (USF) and Inter-Carrier Compensation (ICC) mechanisms can drive investment, improve the quality of life, create jobs, and increase economic opportunities in rural America. According to the FCC's Eighth Broadband Progress Report, nearly one-fourth of the rural population lacks access to high-speed broadband. Yet, demand for RUS telecommunication loan funds dropped to roughly 37 percent of the total amount of loan funds appropriated by Congress in fiscal year 2012. Current and prospective RUS borrowers have communicated their hesitation to increase their outstanding debt and move forward with planned construction due to the recently implemented reductions in USF support and ICC payments.

Question. What do these changes mean in terms of the credit quality of your existing broadband loan portfolio and the demand for new broadband loans in the future?

Answer. While the USF reforms continue to unfold, RUS is open for business. We want to press forward and continue the momentum of the American Recovery and Reinvestment Act of 2009. As a lender we will have to make conservative assumptions about revenue streams until the USF environment becomes more certain. We continue to focus our attention on addressing the challenges, namely cost, density, distance and economic hardship in delivering affordable, high-capacity bandwidth to the most rural and remote portions of our Nation. Expanding broadband connectivity, increasing capacity, and extending service to the millions of rural communities still lacking affordable access remain our primary objectives.

WATER AND WASTE DISPOSAL LOANS AND GRANTS

Question. Mr. O'Brien, you are aware that USDA's water and waste loan/grant program is one of the most popular programs in your portfolio. This program has a long history of successfully bringing clean water and sanitary waste disposal systems to remote rural communities. Projects are generally financed by a combination of loans and grants, with poorer rural communities receiving a larger grant share.

However, this budget cuts the grant level by about $110 million, while increasing the loan level by about $275 million. As a result, rural communities will be forced to take on more loans to finance needed clean water and sanitary waste disposal projects.

Question. Mr. O'Brien, what caused the administration to propose such a large change to this successful program?

Answer. As a result of low interest rate and historically low levels of defaults, the direct loans can be provided at a negative subsidy rate and do not require a request for budget authority. The current low interest rates also mean that more communities can afford to service higher levels of debt than before, reducing the need for grant funds. Accordingly, grant funding is reduced by about $131 million. Collectively, the 2014 budget provides a total program level of $1.5 billion. Rural Development is confident that this level of funding in the current interest rate environment will allow us to continue to serve small and economically challenged rural communities near historical levels.

Question. Can you describe the analysis used by the Department in determining that this change would not harm the program?

Answer. The 2014 budget includes over $1.2 billion in direct loans and $304 million in grants for water and waste disposal projects, for a total program level of $1.5 billion. The majority of the funds issued through the Water and Waste Disposal Loan and Grant program are loans. In most years, the program maintains a 70-percent loan to 30-percent grant ratio, but as noted before, current low interest rates mean that more communities can afford to service higher levels of debt than before, reducing the need for grant funds. So we expect to provide a similar amount of assistance with more loans and less grants. In addition, through a scoring system and strict underwriting the program has been successful in ensuring that small rural communities have access to funding. In 2012, 55 percent of the projects funded served populations of 1,500 or more and 70 percent of the projects funded were to serve populations of 2,500 or fewer.

Question. What assurances can you provide that remote rural communities will continue to receive the assistance necessary to obtain safe, clean water, and sanitary waste disposal?

Answer. The low interest rates will make loans more affordable for many communities. This will allow Rural Development to ensure that grants are reserved for the smallest, most economically challenged communities. We will also make use of our Special Evaluation Assistance for Rural Communities and Households (SEARCH) program, to provide grants for predevelopment, planning, design assistance and technical assistance for financially distressed communities with 2,500 or fewer residents. In addition, we will continue to partner with other State and local programs to fund projects requiring grants. In cases where sufficient grant funding for a project is not available, we will work with communities to consider other alternatives, such as phasing of projects. About 2.2 million rural residents would benefit from new or improved water facilities alone in 2014.

RURAL JOBS AND INNOVATION ACCELERATOR CHALLENGE

Question. In August, the President announced $9 million for winners of the Rural Jobs and Innovation Accelerator Challenge. The goal of the initiative is to promote job creation and community and economic development in rural regions. The Department of Commerce, USDA, the Appalachian Regional Commission, and the Delta Regional Authority all contributed funding to this initiative.

Will you please explain exactly what this initiative does?

Answer. The Rural Jobs and Innovation Accelerator Challenge is a national multi-agency initiative to support rural partnerships that are critical in attracting new businesses, quality jobs and improving the economic climate and sustainability of rural communities. By leveraging local assets, the selected industry clusters and partnerships can do even more to help entrepreneurs and small businesses foster innovation, increase competitiveness, and employ highly skilled workers, all of which are critical to long-term economic growth in their regions. The Rural Jobs and Innovation Accelerator Challenge is a project of the Taskforce for the Advancement of Regional Innovation Clusters (TARIC) and the White House Rural Council, in partnership with many other Federal partners.

Question. What will be the total amount of Challenge awards made in 2013 and 2014?

Answer. There will not be any awards in 2013 and 2014. The Rural Jobs and Innovation Accelerator Challenge was a one-time multi-agency initiative for fiscal year 2012.

Question. How much will be contributed by USDA in 2013 and 2014, and from what programs?

Answer. The Rural Jobs and Innovation Accelerator Challenge was a one-time multi-agency initiative in fiscal year 2012. As a result, USDA is not contributing to this initiative in 2013 or 2014.

Question. What metrics are you using to measure success?

Answer. The metrics included: (1) jobs created during the project period; (2) jobs retained during the project period; (3) private investment leverage during the project period; (4) businesses assisted during the project period; and (5) engagement and collaboration of regional organizations.

SINGLE FAMILY HOUSING GUARANTEED LOAN PROGRAM

Question. Mr. O'Brien, in this budget you are requesting "direct endorsement" authority in the guaranteed single family housing loan program.

Under direct endorsement, will the agency turn over the entire responsibility for loan underwriting to private bank participants?

Answer. No. Direct endorsement loans will require electronic submission to the Guaranteed Underwriting System (GUS). GUS is an automated underwriting system currently utilized by approved agency lenders to evaluate proposed loan applications. GUS utilizes a modified version of FHA's Technology Open to Approved Lenders (TOTAL) mortgage scorecard to evaluate the likelihood of loan success based upon measurable underwriting criteria such as credit score. The modified TOTAL scorecard has been validated for agency use based upon thousands of performing and non-performing agency loans. All direct endorsement lenders will be required to receive an acceptable underwriting recommendation from GUS prior to issuing an individual loan note guarantee on behalf of the agency. This will help ensure all eligibility parameters associated with the program are successfully met.

It will also indicate the loan exhibits positive characteristics closely associated with performing loans in the agency's portfolio. The agency has continued to strengthen GUS acceptance standards and portfolio delinquency rates are declining for the fourth consecutive fiscal year. As of March 31, 2013, the portfolio was outperforming its FHA benchmark by 131 basis points.

For the majority of lenders, direct endorsement will not replace the current agency process. It is intended to allow the agency to streamline the issuance of loan note guarantees for high-quality loans underwritten solely by high-performing, low-delinquency approved lenders. Following year 3 of a controlled rollout, it is expected that 40 percent of all loan note guarantees will be issued by direct endorsement lenders (i.e., 10 percent of all loans in year 1, 25 percent of all loans in year 2, and 40 percent of all loans in year 3 and beyond).

Question. Under direct endorsement, how would you maintain underwriting standards and your current (good) loan portfolio quality?

Answer. The agency will reserve direct endorsement authority for select lenders meeting established criteria. Lenders will not qualify for consideration unless they have strong loan performance characteristics as an approved program lender for a period of 2 years or more. Additional prerequisites will be established by the Secretary to further determine a lender's eligibility for direct endorsement authority. For example, the lender would need to demonstrate a proven history of delinquency rates below the national average for all approved lenders. Lenders granted direct endorsement authority will be required to maintain certain credentials and training requirements to retain such status.

The inherent risks associated with direct endorsement authority for lenders will be managed with the establishment of a robust post-closing lender monitoring effort to maintain the integrity of the portfolio. A portion of the single family housing staff previously engaged in the origination function of guaranteeing loans will be reassigned to lender oversight and post-closing compliance reviews. Ten percent of all loans approved by direct endorsement lenders will be reviewed post-closing for compliance to ensure a sufficient population of loans are evaluated for potential weaknesses. The audit sample size can be increased in the event of perceived need.

Current underwriting standards and portfolio performance will be maintained by a four-pronged approach as follows: (1) loans must pass automated underwriting scorecard requirements; (2) direct endorsement authority is reserved for the agency's top lenders with a proven track record of below average delinquency rates; (3) a post-closing lender monitoring effort, which includes a sampling of all loans closed by each direct endorsement lender and the discretion to perform more rigorous investigations as needed; and (4) a controlled rollout to enable the post-closing review team adequate time to acclimate to new processes, streamline review procedures, develop analytical tools, and effectively measure performance.

Question. How much will this save in agency administrative costs?

Answer. When looking at the program by itself, there will be measurable savings in the cost of carrying out the 502 guarantee program. Rural Development (RD) will be able to originate guaranteed loans with fewer full-time equivalents (FTEs). All lenders meeting eligibility requirements for direct endorsement authority will be approved by the agency over a 3-year period (controlled rollout). In addition, there will be a 2-year phase-in period where we will be making IT enhancements. However, it is expected that the FTEs freed up by the efficiencies gained by moving to a direct endorsement structure will address the tremendous number of unmet needs within the RHS field office. Ultimately, this proposal will help RD live within the current constrained S&E budget environment more effectively and efficiently.

Question. Does your current information technology (IT) system have the capacity to handle this process, and if not, how much will IT enhancements costs and how long would that take?

Answer. Modifications to existing IT systems, as well as new system development, will require significant upfront funding for direct endorsement implementation. The projected cost for implementing necessary system enhancements is $5.2 million and this cost will be absorbed within base funding. The cost will be spread out over 2 years for system development and user acceptance testing. An additional cost would be necessary to ensure minor changes to the system can be made following the initial implementation, as is customary with any major system enhancement.

The agency will not realize any cost benefit during the first 2 years of the project. This time period will be dedicated to readying systems for implementation and no delegated authority will be extended to preferred lenders during this time.

EFFECTS OF SEQUESTRATION ON RENTAL ASSISTANCE

Question. Mr. O'Brien, the Department provides rental assistance (RA) for very low- and low-income occupants of about 260,000 affordable rural rental housing units. These occupants are mainly female-headed households, the elderly, or disabled, with annual household incomes under $10,000. Agreements are renewed annually. It has been estimated that over 10,000 poor households will not receive rental assistance this year due to sequestration.

If rental assistance is not available, will these low-income households face rent increases and possible eviction?

Answer. No households will face rent increases due to the 2013 sequestration cuts. We are anticipating that the loss of rental assistance will impact the borrowers only in September of fiscal year 2013. Therefore, no rent increases or evictions will be necessary, as we will be working with affected owners to mitigate the loss of rental assistance through a rental assistance relief plan.

Question. How do you plan to manage the situation to minimize disruptive impacts?

Answer. Rural Development (RD) has developed a relief plan through which we will work with affected borrowers to agree on a plan to cover the anticipated 1-month loss of rental assistance. Participation by property owners is voluntary, but RD is encouraging each affected borrower to work with their loan specialist to develop a plan that works for that property. Relief measures to cover the rental assistance shortfall consist of: (1) allowing the use of funds in the General Operating account; (2) permitting borrower loans to the project with payback at 1 percent interest; (3) allowing authorized Reserve account withdrawals; (4) deferring the return to owner (or asset management fee, if nonprofit); (5) deferring the section 515/514 1st position debt service payments, with no interest charge; and/or (6) suspension of monthly reserve account deposits.

Question. Do you plan to ask building owners to extend forbearance to these households?

Answer. Due to the short-term impact of the rental assistance shortfall, RD does not anticipate that any of the residents of the involved properties will be affected adversely.

Question. What will the loss of rental assistance do to the credit quality of the Government loans securing these multi-family housing projects?

Answer. Since the loss of RA will only be for a 1-month period, RD does not anticipate that there will be any effect to the credit quality of the section 515 direct loans.

DIRECT SINGLE FAMILY HOUSING LOAN PROGRAM

Question. Mr. O'Brien, the Single Family Housing Direct loan program has been the flagship housing program in this Department for years. very low- and low-income rural households are provided homeownership opportunities with no down payment and low interest rates. This is the most efficient Federal homeownership program of its type, with its portfolio credit quality exceeding FHA and VA, and far exceeding the commercial subprime market. Furthermore, this year the cost of the program fell by 54 percent.

This budget cuts this program by 60 percent from the fiscal year 2012 level, from $900 million to $360 million in loans. Is there any other Federal homeownership program that can help families the way that this program does? If not, where will these families go to get housing assistance?

Answer. The Department acknowledges that the Single Family Housing Direct Loan program plays an important role in meeting USDA's commitment to improving the economic vitality and quality of life in rural America, but also acknowledges that difficult choices have to be made, including cuts to the section 502 direct loan program. It is anticipated that at the fiscal year 2014 proposed funding level of $360 million for section 502 direct over 3,100 low- and very low-income families will achieve homeownership.

USDA also intends to continue developing partnerships with qualified nonprofit organizations in rural areas to deliver program funds where it is needed most. We recognize that families living in more rural, poorer communities have difficulties accessing programs and services that promote long-term wealth. The Department anticipates that the assistance from nonprofit groups will provide targeted delivery of program funds to the most economically distressed and lower income communities.

Finally, the section 502 guarantee loan program will provide a source of financing for low-income families. Since 2008, about 32 percent of our guarantees have been to low- and very low-income families. We project that more than 33,000 lower income families will meet their housing needs with a loan guarantee through USDA. This is roughly the same total as all direct loans we obligated in the previous 4 years (2009–2012). The section 502 guarantee program will soon be publishing a final rule which will enable local community-based lenders, such as credit unions and small community banks, to participate in the program with the purpose of reaching the smaller, poorer and more remote rural communities.

Question. What is the current backlog of applications?

Answer. As of May 23, 2013, there are 8,851 section 502 direct loan applications on hand totaling $1,118,047,513.

Question. Why are you proposing to slash this program, in the face of its long history of documented success in making low-income families successful homeowners?

Answer. The Department acknowledges the importance of the section 502 direct loan program in providing low- and very low-income families an opportunity to attain homeownership in rural America. However, with budgetary constraints the Department has had to make difficult choices which include reductions in the section 502 direct program. Current low interest rates and the great success of our guaranteed program assure that rural families in need of mortgage financing will not be unserved. The 2014 request will still provide families in self-help and those with greater needs access to credit.

Question. A $360 million program level would only fund 60 loans in each State. How would you allocate such a small program in the face of huge demand in rural areas?

Answer. At this time, we expect to allocate available funding as required in regulations of 7 CFR, the 1940–L. Under these regulations, funds are distributed according to formula that takes in to account rural population, area income, substandard housing, and those in areas with populations below 2,500.

Depending on the amount of the final allocation, consideration will also be given to targeting funding to isolated groups most in need of housing financing or obligated by participation in other Rural Development programs. This includes Mutual Self-Help Housing Loan participants, those in areas such as colonias and Native American reservations, and those underserved.

The national office also will have an option to reserve funds for those in greatest need, such as homeless, veterans and those needing additional funding to assume a current loan.

Question. The only other USDA rural homeownership program available is the guaranteed loan program, which does not provide subsidized interest rates, and charges origination and annual fees. Do you believe the guaranteed program can adequately offer the homeownership opportunities that the direct program provides?

Answer. The fiscal year 2014 budget request continues the administration's commitment to rural areas by targeting resources to citizens in greatest need and where there are economic opportunities. We capitalize on beneficial subsidy rates in a number of our programs, including the Guaranteed Single Family Housing Loan program, to provide historic program levels. For the seventh consecutive year, the total amount of rural guaranteed home loans has increased from $2.9 billion in 2006 to $19.2 billion last year. The 2014 budget request proposes a program level of $24 billion for the Single Family Housing Guaranteed program, which could provide more than 171,000 homeownership opportunities.

Since 2008, about 32 percent of our guarantees have been to low- and very low-income families. We project that more than 33,000 lower income families will meet their housing needs with a loan guarantee through USDA. This is roughly the same total as all direct loans we obligated in the previous 4 years (2009–2012). In addition, the section 502 guarantee program will soon be publishing a final rule which will enable local community-based lenders, such as credit unions and small community banks, to participate in the program with the purpose of reaching the smaller, poorer and more remote rural communities.

Question. The success of the Mutual Self-Help Housing Loan program, in which families can reduce their housing costs through their sweat equity, relies on sufficient direct single family housing loan funds. This budget cuts the Mutual Self-Help Housing Loan program by 67 percent.

Does the administration now believe that the direct single family housing program, and the Mutual Self-Help Housing Loan program are no longer effective and efficient programs to support homeownership opportunities for rural households?

Answer. The Department continues to believe both the section 502 direct loan program and the self-help program are viable programs that meet the needs of many low- and very low-income families. The Department does not expect the 2014 budget request reduction to adversely affect the overall viability or productivity of the section 523 Mutual Self-Help Housing Loan program. The proposed $10 million for the fiscal year 2014 funding along with the proposed $360 million for the section 502 direct single family housing will ensure continued success of the program. The mutual self-help housing program has a high level of dedicated supporters from community and faith-based organizations who offer in-kind services to participating families. The self-help grantees and regional technical assistant providers have assisted in maintaining the integrity of the program by soliciting and securing other funding resources. Based on the positive response and support for the self-help program, we believe both the direct loan and self-help programs will continue to provide the opportunities for low-income families to secure homeownership and develop strong communities.

QUESTIONS SUBMITTED BY SENATOR TOM UDALL

RURAL DEVELOPMENT PROGRAMS IN NEW MEXICO

Question. Mr. Doug O'Brien, in New Mexico, the Rural Development (RD) office is down to 39 employees, 6 months ago the New Mexico office had 44 employees, and in 2011 the office had 53 employees. This decline in employees is resulting in programs being shut down as the 2-year hiring freeze continues. I understand that these are difficult times, and that the sequestration is making budgets even tighter. My concern, however, is about the disparity between the number of employees in western States compared to those east, and whether or not the resources we do have are reaching the rural and poor communities that they are intended for.

According to your staff, in May 2012 about 12 States each had over 100 Rural Development employees, while States like Nevada, Alaska, Colorado, Utah, Wyoming, and New Mexico had well under 50. These are some of our country's most rural States.

Could you help the subcommittee understand how this disparity in Rural Development efforts has come to be, and what the agency is doing or can do to ensure a more equitable distribution of resources?

Answer. When faced with sequestration of funds, Rural Development considered several options when looking for ways to meet the funding levels. One of those options was offering RD employees early retirement and not filling many positions. As a result of these retirements and the freeze on hiring, Rural Development lost approximately 18 percent of its workforce. Unfortunately, these losses were not equally divided by program or geography. We recognize that many States are struggling to provide services and or looking at ways to correct these inequities.

Among the options being considered is a regional sharing of employees which would allow States to work together to provide services. Also, now that the first round of sequestration has passed and RD has been given the opportunity to move funds between programs, we are looking at making strategic hires in those areas where the need is greatest.

In the last year, RD has also reexamined its full-time equivalent (FTE) allocation formula and adjusted it to provide greater weight to States with deeper poverty. We continue to examine this formula.

Question. Mr. Doug O'Brien, I am concerned about whether or not Rural Development resources are reaching the rural and poor communities that they are intended for. In New Mexico there are many very small and very rural communities that have a hard time accessing grants and loans through Rural Development because they do not have the personnel and even infrastructure, like Internet service, to successfully apply for and manage grants and loans.

Could you share with the subcommittee how the President's budget would ensure that Rural Development funds in fiscal year 2014 make it to the small and very rural communities who need it most?

Answer. Rural Development is working closely with the USDA Office of Advocacy and Outreach to make sure that the citizens and communities who need assistance the most are aware of what our programs can do and how to apply. Also, in 2010, the Department implemented the StrikeForce Initiative to increase participation in USDA programs in high poverty counties. Many of the RD programs provide additional points to the smaller communities competing for funding.

Question. What kind of technical assistance is available for communities who may not have a full-time employee to write a grant application or manage a loan?

Answer. Most Rural Development programs are administered through our State and area offices, and the majority of direct support and assistance in preparing a grant application will come from these offices. However, while RD staff can provide support and guidance in developing and application, they do not participate in the actual writing of the grant or loan proposal.

Through existing programs, Rural Development supports a number of University and nonprofit organizations who provide direct technical assistance to prospective program applicants. Through a variety of methods (e.g., business incubators, cooperative development centers), recipients of funding from this program have delivered technical assistance and other services to individuals and communities seeking to apply to RD programs.

Further, several existing programs contain components that can provide application development assistance. For example, the Agricultural Marketing Resource Center (AgMRC) which is funded out of the Value Added Producer Grant (VAPG) program is a free, virtual resource for producers looking to get into a value added agricultural business. The AgMRC Web site provides an array of resources, including business planning tools, budget templates, and marketing plans that can be used to address requirements in a grant application.

QUESTIONS SUBMITTED TO ANN MILLS

QUESTIONS SUBMITTED BY SENATOR MARK L. PRYOR

CONSERVATION DELIVERY STREAMLINING INITIATIVE

Question. Ms. Mills, NRCS's budget proposes an increase of nearly $9 million for the Conservation Delivery Streamlining Initiative. When fully implemented, some of the goals of CDSI are to allow NRCS staff to spend 75 percent of their time with customers in the field; eliminate over 80 percent of time that field staff devotes to clerical tasks; and shorten the time between when customers apply for a program and when they are awarded contracts to less than 2 weeks.

Can you talk a little more about CDSI?

Answer. In fiscal year 2010, NRCS leadership formally initiated an agency-wide effort called the Conservation Delivery Streamlining Initiative (CDSI). The initiative's goal is to define and implement a more effective, efficient, and sustainable business model for delivering conservation technical and financial assistance. Three overarching objectives were identified:

—*Simplify Conservation Delivery.*—Conservation delivery must be easier for both customers and employees.

—*Streamline Business Processes.*—The new business model and processes must increase efficiency and be integrated across agency business lines.

—*Ensure Science-Based Assistance.*—The new business model must reinforce the continued delivery of science-based products and services.

CDSI is currently implementing five broad strategies under this effort. These include: (1) redesigning NRCS's business processes; (2) aligning its information technology with these redesigned processes; (3) integrating science technologies to enhance the quality and effectiveness of NRCS programs; (4) simplifying and standardizing the delivery of financial assistance; and (5) providing ways for clients to work with NRCS that are more convenient and efficient.

Question. I understand it is now being tested in four States, and your new estimates are that it will be implemented nationally by November 2014. How is the current testing going? Is your timeline still achievable?

Answer. In October 2012, NRCS began testing the Conservation Desktop application-version 1. NRCS deployed version 1 as a beta release to four States in March 2013. Upon completion of the four-State beta test, additional assessments were performed that included agency quality assurance tests and an independent assessment from a leading information technology research and advisory firm. Based on these tests and assessments NRCS decided to revise its deployment timeline and path forward.

NRCS is working closely with USDA and the Office of Management and Budget to finalize these revisions. The updates include a more modular development approach that focuses on smaller and more frequent releases. This approach splits the functionality of the Conservation Desktop into three separate releases that focus on: (1) financial assistance; (2) replacement of the current conservation planning software; and (3) providing enhanced conservation planning support. The first nationwide release of the Conservation Desktop is now tentatively planned for the first half of calendar year 2015.

Question. What are the total cost estimates for the program?

Answer. The overall lifecycle cost for the entire CDSI investment, spanning fiscal years 2012 through 2021, is estimated at $187,883,300. The lifecycle cost includes business process reengineering, business requirements development and the development, enhancement, and maintenance of the three main CDSI applications, their supporting databases and computer services: (1) Conservation Desktop, (2) Mobile Planning Tool, and (3) Client Gateway.

Question. What is the current wait time for customers from the time they apply for a contract to when it's awarded? How will this be sped up?

Answer. The average amount of time from when a customer applies for a financial assistance program and when they sign a contract is 2 to 6 months. NRCS plans to decrease this time by standardizing its financial assistance business processes, providing centralized program support staff, and implementing alternative technologies such as:

—Electronic signatures for customers;
—Automated geospatial application scoring and ranking;
—Automated workflows and electronic tasking;
—Electronic document storage;
—Streamlined funding selection using a threshold concept; and
—A customer-facing Web site to provide access to USDA–NRCS programs and services.

PLANT MATERIALS CENTERS

Question. Ms. Mills, as you know, there is broad support in Congress for the work of the Plant Materials Centers (PMCs). I have a special fondness for the one in Booneville, Arkansas.

The budget request proposes to decrease funding for the PMCs by nearly $1 million.

Is USDA planning to close or consolidate any of those centers?

Answer. USDA plans to restructure its Plant Materials Centers (PMCs) operated by the Natural Resources Conservation Service (NRCS) this calendar year consistent with USDA's Blueprint for Stronger Service. Reorganization is necessary considering PMC funding has declined by over 22 percent since 2010. This, coupled with years of rising costs, has necessitated decreases in staffing and increases in facility and equipment maintenance and replacement, thus reducing efficiency. However, final decisions as to which, if any, locations will be closed or consolidated have not been made at this time.

STAFF CUTS

Question. Ms. Mills, the budget for Conservation Operations assumes a cut of 273 staff. This is spread across all of your activities, but the largest decrease is in the Conservation Technical Assistance account.

In an operation where face time with your customers is an important part of what you do, how will you absorb this FTE reduction?

Answer. NRCS certainly recognizes that time spent in the field working with producers and landowners on conservation plans are central to the mission of the agency. As we have stated before, getting more boots on the ground for conservation is vital for that mission. At the same time, the agency must manage its resources during a period when the funding available for our programs may be constrained. Therefore, NRCS is also committed to becoming more efficient and to maximizing conservation assistance in the field by streamlining the agency's structure and processes, and by looking for ways to increase the agency's flexibility in providing technical assistance.

For example, the agency has already started to update and streamline its administrative processes, which should remove some of the administrative burdens from the State offices and free up more staff resources to deliver conservation. The agency is also looking for ways to simplify and efficiently deliver conservation assistance to customers, which should ultimately increase the amount of staff time devoted to direct conservation efforts.

The agency will also explore opportunities to provide greater flexibility in its ability to deliver conservation technical assistance through partnerships and agreements with technical service providers. These partnerships provide the agency the flexibility to increase or decrease technical service capacity as demand for those services changes, helping to ensure the agency is able to provide assistance where and when it is needed.

The reduction in FTEs represents approximately 4.6 percent of the staff funding through the Conservation Operations account. This is not an insignificant reduction, but the agency will work to maximize the amount of conservation technical assistance that is available to our customers by becoming more efficient and by increasing capacity without increasing staff.

QUESTIONS SUBMITTED TO DARCI L. VETTER

QUESTIONS SUBMITTED BY SENATOR MARK L. PRYOR

FOREIGN AGRICULTURAL SERVICE

Question. As you know, U.S. agricultural exports are at record levels. In fiscal year 2012 exports reached $136 billion.

Can you briefly discuss some of the things Foreign Agricultural Service (FAS) is doing to develop new foreign markets as well as making sure our agriculture products remain competitive in the world marketplace?

Answer. FAS deploys a global market development strategy that integrates trade policy, monitoring and enforcement, trade promotion, and trade capacity building/food security. FAS resources and tactics are tailored to country markets that range from fragile market economies, to high-growth markets with a rapidly expanding middle class, to mature maintenance markets to achieve our overarching goals of enhancing U.S. market access and expanding U.S. agricultural exports while improving global food security and food safety. FAS trade policy work is aimed at negotiating and enforcing market-expanding trade agreements for U.S. exports of food and agricultural products, and preventing or resolving foreign measures that hinder U.S. food and agricultural exports.

The United States continues to negotiate the Trans-Pacific Partnership (TPP) with Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. From the beginning of TPP negotiations, USDA negotiators have been actively involved in aspects of the negotiations related to agriculture including market access, rules of origin, sanitary and phytosanitary measures, technical barriers to trade, regulatory coherence, competition, and trade capacity building. USDA's goal, with guidance from the U.S. industry, Congress, and other stakeholders, is to create a TPP agreement that increases U.S. agricultural exports and supports U.S. jobs by addressing tariff and non-tariff barriers.

On March 20, 2013, the administration notified Congress of our intent to enter into negotiations with the European Union (EU) on a Transatlantic Trade and Investment Partnership (TTIP). We are currently conducting consultations with Congress and the public to help refine our objectives and priorities for these negotiations. A public comment period on priorities and issues for the negotiations was open from April 1–May 10, 2013. The first round of negotiations took place in July in Washington, DC. USDA was, and continues to be, very active in the preparatory work for the initial and subsequent rounds of negotiations. The European Union is our 5th largest agricultural export market, valued at $10.1 billion in calendar year 2012. Key export products include soybeans, tree nuts (especially almonds) and alcoholic beverages. We will continue pressing for full elimination of tariffs and substantial progress on reducing non-tariff barriers.

FAS continues to monitor and enforce trade agreements with 20 countries, with particular attention to agreements with South Korea, Colombia, and Panama that were implemented in 2012. FAS participates with the U.S. Trade Representative in regular meetings with all three trading partners. For example, a Korean Free Trade Agreement (KORUS) Sanitary and Phytosanitary (SPS) meeting occurred in Washington on February 19, 2013. FAS staff regularly provide technical assistance to Colombian and Panamanian Government officials in tariff rate quota (TRQ) administration which has resulted in smooth TRQ implementation. U.S. agricultural exports to Korea exceeded $6 billion in fiscal year 2012, making it our sixth largest market. U.S. agricultural exports to Colombia topped $1 billion in fiscal year 2012, and are expected to be 46 percent higher in March–May 2013 after the Colombia Trade Promotion Agreement goes into force than for the same time period a year earlier, totaling over $1.2 billion. U.S. agricultural exports to Panama reached almost $490 million in 2012. Products that have increased export markets include corn, rice, and chicken leg quarters.

FAS market development programs focus on cooperation with program participants to help U.S. producers, exporters, private companies, and trade organizations promote U.S. agricultural products in priority countries. These partnerships are supported by FAS staff facilitating in-country relationships, providing market analysis, and approving use of program funds for activities to maintain and expand market share and target new opportunities in foreign markets. Market development programs are administered on a cost-share basis with participating industry partners using Market Access Program (MAP), Foreign Market Development (FMD) program, Technical Assistance for Specialty Crops (TASC) program, Emerging Markets Program (EMP), and Quality Samples Program (QSP) funds to help U.S. food and agricultural exporters maintain a competitive edge. For example, FAS overseas offices in China provide information on opportunities in secondary and tertiary cities and encourage U.S. agriculture, fish and forest products industries to develop relationships and activities with a broader spectrum of potential customers. Nearly all of our MAP and FMD partners conduct activities in China. The programs also are used to conduct critically important outreach activities to small- and medium-sized enterprises (SMEs) and new-to-export food and agricultural businesses, to broaden and expand the base of U.S. agribusinesses exporting for the first time or to more markets. FAS has provided additional MAP funding to expand export readiness training of SMEs across the country. An upcoming FAS initiative is leveraging resources to organize a regional African market development conference, in conjunction with a U.S. trade mission to South Africa this September, to highlight market opportunities in the rapidly growing economies of South Africa, Kenya, and Ghana. A recent study found that other countries are increasing their use of market development funds, increasing the need for U.S. producers to remain active in overseas markets.

FAS trade capacity building efforts focus on less-developed countries that have good governance, economically enabling environments, and high potential as full trading partners with the United States. FAS-led technical assistance programs, with substantial funding from USAID and State Department, strengthen SPS systems and reduce technical barriers to trade (TBTs) for current and potential trading partners, while building regulatory capacity. The aim is to eliminate import-restrictive policies and regulations, and create a policy environment that values transparent and science-based food regulations and agricultural policies consistent with international standards and favorable to U.S. food and agricultural interests.

Question. What are some of your biggest challenges to ensure the competitiveness of U.S. agriculture products?

Answer. The USTR's Report on Sanitary and Phytosanitary Measures (SPS Report) and the Report on TBT highlight challenges that have the potential to negatively affect trade and pose significant market losses for the United States.

The leading cross-cutting SPS barriers arise in connection with export certification requirements, agricultural biotechnology, bovine spongiform encephalopathy (BSE), avian influenza (AI), and maximum residue levels (MRLs) for pesticides. USDA diligently attacks each of these barriers. For example, USDA efforts have contributed to the reopening of export markets for U.S. beef and beef products closed as a result of the BSE-related trade bans. As a result, U.S. beef and beef products exports recovered to a record $5.5 billion in fiscal year 2012.

USDA worked hard to lead the Codex Alimentarius Commission to finally adopt an international MRL for ractopamine in beef and pork in 2012. This was the culmination of more than 9 years of work by USDA. Adoption of the standard for beef by Taiwan has provided significantly improved market access for U.S. exports. The international standard is important in our continuing efforts to reduce barriers to U.S. pork in Taiwan and barriers to meat and poultry in China and Russia.

Similarly, the TBT Report provides illustrations of technical barriers with the potential to negatively affect trade and pose significant market loss for the United States. For example, Chile and Peru are important in this regard because of their stringent nutritional labeling requirements for processed foods high in fats, sugar, sodium, and trans-fats content. Additionally, Peru maintains mandatory labeling and a moratorium on foods derived from genetic engineering. Turkey and India are also highlighted in the TBT Report for their trade restrictive measures on genetically engineered products.

Slow acceptance of biotechnology-developed crops and products is one of the biggest challenges to U.S. agricultural exports. The United States is the world's largest producer of biotechnology crops, and the bulk of our biotechnology exports enter commodity streams alongside conventional varieties. Many new crops and products derived through modern technologies are likely to enter the market in the next few years. However, concern about these products persists in some regions and has led to long approval processes overseas and the proliferation of regulatory barriers to U.S. trade in biotechnology derived products. For example, China's asynchronous approval for biotech products continues to delay the commercialization of new products globally. In order to improve our bilateral agricultural relationship with China and to deepen our cooperation on tackling global challenges, USDA hosted the first United States-China High Level Agricultural Symposium (symposium) in February 2012. The first symposium facilitated many agricultural trade successes in 2012, including China's agreement to participate in a pilot program to address its asynchronous biotechnology approvals.

FARM LOAN PROGRAMS

Question. Can you discuss how your budget request benefits beginning farmers and ranchers?

Answer. The 2014 budget request for Farm Service Agency (FSA) farm loan programs will support funding for loans that will allow several thousand beginning farmers and ranchers to begin or continue farming or ranching. Many beginning farmers and ranchers have difficulty obtaining credit due to limited equity, collateral, or experience. FSA farm loan programs are required by statute to reserve a portion of the direct and guaranteed loan funds for beginning farmers and ranchers. Under the targets, 75 percent of direct ownership funds, 50 percent of direct operating funds, and 40 percent of guaranteed operating and ownership funds are reserved for beginning farmers for at least the first two quarters of the fiscal year. Based on these targets, the fiscal year 2014 budget request will provide funding for over 2,600 direct and 2,000 guaranteed farm ownership loans to beginning farmers, facilitating in most cases a first-time farm purchase. The 2014 request will also provide funding for over 11,300 direct and 3,400 guaranteed operating loans for beginning farmers. These loans provide critical operating capital to beginners who cannot obtain credit from other sources.

Question. In your testimony you discuss a recently implemented microloan program. Can you go into further detail about that program? What farming population is this program targeting?

Answer. The microloan program is administered under FSA's existing Operating Loan (OL) program. The program streamlines the process for producers obtaining loans under $35,000 by reducing the paperwork and simplifying the loan application process. The program includes additional flexibility in certain loan eligibility requirements, reduces documentation requirements, and provides for simplified financial planning to align with the less complex structure of small farms. Producers can use microloan funds to pay for initial start-up expenses such as land rent, essential tools, livestock and farm equipment, and annual expenses such as seed, fertilizer, utilities, marketing, and distribution expenses.

—Microloan repayment terms may vary, but typically will not exceed 7 years for intermediate-term purposes. Interest rates are based on the regular OL rates that are in effect at the time of loan approval or loan closing.

—The program is designed to increase credit opportunities for smaller and beginning farmers, particularly producers who sell through farmers markets, roadside stands, and community-supported agriculture (CSA) programs, although almost any type of farm production is eligible. The limited documentation requirements and less rigorous farm managerial experience requirements are intended to make microloans more accessible for first-time farmers.

MC GOVERN-DOLE PROGRAM

Question. For a relatively small amount of money, this program has a huge impact on the lives of some of the world's poorest children.

Ms. Vetter, can you briefly discuss some of the ways the McGovern-Dole program has positively affected children around the world?

Answer. The McGovern-Dole program focuses on improving literacy and improving dietary and health practices in recipient countries. The program encourages parents to send their children to obtain a primary school education, when they might not have otherwise done so, and to utilize these skills as they progress in life to become productive members of society. USDA regularly sees between a 3- and 10-percent increase in attendance rates per school year, teachers regularly comment that children have more energy, and the promotion rates of children to the next grade are often over 80 percent in USDA assisted schools. A key focus of the program is improving literacy outcomes and the quality of education provided to the children. This involves more consistent teacher attendance, better access to school supplies, improved instructional materials, increased skills and knowledge of school administrators, and improved awareness of educational value and attainment by parents (who may themselves be illiterate). For example, USDA's project in Mali with Catholic Relief Services (CRS) is focused on education in collaboration with USAID in the area of education quality and literacy. Program activities include working with the PTAs, local school management committees, and locally elected officials to inform parents and communities about the support that is available and to ensure that teachers in the targeted areas are able to access trainings and resources to promote improved educational outcomes and literacy in the classroom.

McGovern-Dole projects also build the capacity of recipient country governments and civil society with the ultimate goal of transitioning the management of school feeding programs to recipient governments and local communities. In Bolivia, for example, 12 more municipalities graduated from McGovern-Dole funding in 2012. These municipalities started to manage their own programs and continued to feed over 21,000 school children ensuring these children receive a nutritious meal so their hunger does not detract from their learning. In Nepal, USDA is working with the Government of Nepal to develop a national school feeding framework. In February 2013, USDA hosted a delegation of government representatives from the Nepalese Ministry of Agriculture and Department of Education to learn about the U.S. school feeding experience. FAS and FNS worked together to arrange visits to U.S. schools, and the delegation left the United States with a better understanding of school feeding programs, the need for clear budget allocations, and the importance of good program monitoring.

We are field testing new and improved micronutrient-fortified food aid products developed in the United States to best meet nutritional needs of populations served by McGovern-Dole. In Guinea-Bissau, we are field testing a dairy paste containing iron, vitamin A, vitamin D, and zinc that are critical for child growth and mental development. In Cambodia, the effectiveness of a rice product fortified with Vitamin A and iron is being evaluated. We are working with Kansas State University on new formulations of three, fortified blended foods (FBFs). These FBFs (sorghum-soybean, sorghum-cowpea, and corn-soy blends) will be made into porridge mixes for McGovern-Dole beneficiaries in Tanzania.

Question. Do you see a correlation between a higher standard of living for girls who participate in the program and girls that do not?

Answer. Studies by the World Bank, World Economic Forum, and the Organization for Economic Cooperation and Development have found a correlation between educating girls and the rate of economic improvement of countries. Educating girls has been found to help break the cycle of poverty because girls who attend school tend to delay having babies, and are healthier and better prepared as mothers when they do have children, and are better able to be productive members of society. This increases a country's overall productivity and income level. Educating girls has also been found to improve the health of populations, help reduce disease incidence, and reduce the incidence of violence against women. The McGovern-Dole program targets girls and provides many health interventions aimed at teaching them the importance of good hygiene, nutrition, and sanitation. Girls incorporate these lessons into their future families and pass these teachings on to their own children. This results in stronger family units. The McGovern-Dole program also targets girls for education interventions, tailoring activities to reduce or eliminate gender disparities in school attendance and achievements. Additionally, USDA often works with the mothers of school children, teaching them lessons in nutrition, hygiene, and the importance of education.

During the fiscal year 2012 solicitation cycle, FAS began a comprehensive results-oriented management (ROM) system to strengthen the delivery of more efficient and effective food assistance programs through a greater focus on results and accountability of taxpayer resources. This approach also provides a platform for more meaningful program evaluations and opportunities to learn which interventions work well and which ones do not. Through this ROM system and associated initiatives, USDA expects to improve its ability to measure the impact of the McGovern-Dole Program by: (1) clarifying program strategy; (2) identifying expected results; (3) linking measurable indicators to results; and (4) mapping program objectives and results back to the agency's strategic plan. In turn, implementing partners are expected to identify project results and report achievements of the identified results. These organizations must report twice a year as well as have a midterm and final evaluation performed.

FARM SERVICE AGENCY—MIDAS

Question. I was pleased to learn that you recently launched MIDAS. Can you give us an update on how things are going?

Answer. The MIDAS Program is the largest automated system ever implemented by the Farm Service Agency. It is a complete re-engineering of business processes and information technology (IT) systems and software that will replace outdated technology used in FSA county offices since the 1980s. MIDAS is in week 15 of system stabilizing and these new systems phasing in nationwide. During this deployment, the challenges such as availability, reliability and responsiveness of the systems are closely monitored and addressed so that the performance can be improved and ensured. MIDAS operates with many complex interdependencies, with attributes in commercial-off-the-shelf software, custom-developed Web farm applications, and geospatial imagery. Components of MIDAS are hosted in three separate data centers across USDA's network. As this comprehensive new system is implemented, any reports of performance dips or needed improvements are closely examined and addressed to ensure the continuation of customer service as effectively as possible during this transition period.

The number of issues has stabilized over the last few weeks indicating the system is improving, and in the past 5 weeks, the rate of resolved issues has exceeded the number of issues reported.

Through these and related actions, MIDAS is moving forward towards full stabilization and integration into the everyday business practices of FSA offices.

Question. What have you done to educate farmers and ranchers on using the new system?

Answer. The initial MIDAS system launched in April 2013 provided capability for the FSA service center employees to administer Farm Records information with full geospatial imagery integration, and to maintain customer profile and product information. At this time there is no direct access to MIDAS by farmers and ranchers. Robust training was provided to over 9,000 FSA employees on the new system to maintain the high level of customer service provided to farmers and ranchers. Additional functionality planned in fiscal year 2015 will enable farmers and ranchers to access the new system online and conduct business with FSA in a self-service fashion.

Question. The budget requests $65 million for supporting MIDAS. Do you expect the cost of maintaining the system to decrease over the next few years?

Answer. The $65 million budget request submitted for fiscal year 2014 provides operations & maintenance support for the production system and limited funding for system enhancements. FSA is currently working on a re-baseline of the MIDAS project to define the final operating capability, total project cost, and project timeline plan for the remainder of the project's lifecycle. The costs will increase in fiscal year 2015 as the final operating capability is delivered and begin decreasing in the out years as the system moves into full sustainment.

CONCLUSION OF HEARINGS

Senator PRYOR. As I mentioned earlier, this is the final budget hearing, and I appreciate the work that everyone at USDA and FDA, because they were the subject of our first hearing, in preparing their witnesses. The testimony presented during these hearings was very helpful and that constant flow of information back and forth has been very good and it will help us write the fiscal year 2014 bill.

The subcommittee's next markup—meeting will be a markup of the fiscal year 2014 bill and that date has not yet been determined. It's something that I'm waiting to get the okay from Senator Blunt over here. No, actually we're just trying to get the room availability and what-not. But we're going to do that soon and we look forward to it.

With that, this hearing will be recessed. Thank you.

[Whereupon, at 10:45 a.m., Thursday, May 23, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2014

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

NONDEPARTMENTAL WITNESSES

[The following testimonies were received by the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies for inclusion in the record. The submitted materials relate to the fiscal year 2014 budget request for programs within the subcommittee's jurisdiction.]

PREPARED STATEMENT OF THE AGRICULTURE AND FOOD RESEARCH INITIATIVE (AFRI) COALITION

The Agriculture and Food Research Initiative (AFRI) Coalition is pleased to submit the following testimony on the fiscal year 2014 appropriation for the Department of Agriculture's (USDA) Agriculture and Food Research Initiative (AFRI). The AFRI Coalition, comprised of more than 40 scientific societies and science advocacy organizations, is dedicated to raising awareness of the importance of AFRI and the research it funds. The AFRI Coalition understands the very difficult budgetary environment we currently face and urges Congress to fund AFRI with at least $383 million in fiscal year 2014.

AFRI, administered by the National Institute of Food and Agriculture (NIFA), is the premier competitive grants program for fundamental and applied research, extension and education in support of our Nation's food and agricultural systems. AFRI grants support research in areas of critical concern including: food safety and security, agricultural production and products, plant and animal health, nutrition and human health and agricultural economics, among others.

In December 2012, The President's Council of Advisors on Science and Technology (PCAST), released a report on the agriculture research enterprise and concluded that "our Nation's agricultural research enterprise is not prepared to meet the challenges that U.S. agriculture faces in the 21st century." In fiscal year 2012, AFRI was funded at only $264 million but received research proposals in excess of $4 billion.

The AFRI Coalition urges Congress to fund AFRI with at least $383 million in fiscal year 2014, far less than its authorized level of $700 million. The research supported by AFRI aims to solve critical scientific, agricultural and societal problems and deserves steady, predictable and sustainable funding. The future of our food and agricultural systems, a basis for human health, rely on it. Additionally, for every Federal dollar spent on publicly funded agricultural research, $20 or more is generated in the U.S. economy.[1] A strengthened commitment to investments in science for food and agriculture, especially during difficult economic times, is essential to maintain and grow our Nation's food, economic and national security.

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[1] The Economic Returns to U.S. Public Agricultural Research, Alston, Julian M.; Andersen, Matthew A.; James, Jennifer S.; Pardey, Philip G., University of Minnesota, Department of Applied Economics, July 2011, http://purl.umn.edu/95522.

The AFRI Coalition appreciates the opportunity to provide written testimony and would be pleased to assist the subcommittee as it considers the fiscal year 2014 appropriation for AFRI. To learn more about the Coalition or to see a list of members, please visit: http://africoalition.org.

PREPARED STATEMENT OF THE ALLIANCE FOR A STRONGER FDA

Chairman Pryor and Ranking Member Blunt: The Alliance for a Stronger FDA respectfully requests that the subcommittee recognize the critical role and expanding public health mission of the U.S. Food and Drug Administration and provide appropriations funding in fiscal year 2014 that fully restores the agency's base lost in the fiscal year 2013 sequester and adds additional funding above that level. Specifically, we are requesting budget authority appropriations of $2.60 billion.

The Alliance is a 200-member coalition of all FDA's stakeholders—consumers, patients, health professionals, trade groups and industry. Our sole purpose is to advocate for increased appropriated resources for the FDA, an agency that oversees 100 percent of drugs, vaccines, medical devices, and personal care products and 80 percent of our Nation's food supply. Altogether, the products and industries regulated by FDA account for nearly 25 percent of all consumer spending in the United States.

FDA's pre-sequestration budget authority (BA) appropriation of $2.53 billion is dramatically less than the amount the agency needs. The sequestration and FDA's growing public health and safety responsibilities puts the agency's mission "at risk."

RECOGNIZING THAT FDA'S PUBLIC HEALTH MISSION IS VITAL AND GROWING, CONGRESS CONTINUES TO PASS FDA LEGISLATION

New laws take enormous resources to implement. Once implemented, they permanently increase agency responsibilities. Since 2009, Congress has identified a number of additional public health needs that fall within FDA's jurisdiction, resulting in at least six new laws:

—Family Smoking Prevention and Tobacco Control Act (2009);
—Biologics Price Competition and Innovation Act (2010);
—Secure and Responsible Drug Disposal Act (2010);
—Combat Methamphetamine Enhancement Act (2010);
—Food Safety Modernization Act (2011); and
—FDA Safety and Innovation Act (2012), including re-authorization of the Best Pharmaceuticals for Children Act and the Pediatric Research Equity Act.

This year's legislative requirement—renewal of two Animal Drug User Fees—is a possible vehicle for other FDA mandates. Freestanding legislation is also being considered for: compounding; counterfeit/track and trace; drug shortages; and incentives for innovation.

In sum, the current appropriations level is totally inadequate to make up for decades of underfunding and all of the new laws enacted since 2009 and also under consideration.

GLOBALIZATION AND SCIENTIFIC COMPLEXITY REQUIRE FDA TO EXPAND ITS ACTIVITIES EACH YEAR TO PROTECT AND EXPAND PUBLIC AND INDIVIDUAL HEALTH

Even were Congress not active in legislating new mandates for FDA, the agency's mission and responsibilities would grow enormously each year for reasons unrelated to new laws. Our remarks will concentrate on two: globalization and increasing scientific complexity.

One of FDA's highest priorities over the last 6 years has been to adjust for the accelerating globalization in all product categories overseen by the agency. For example:

—Food imports are growing 10 percent annually. Altogether, 10–15 percent of all food consumed in the United States is imported. This includes nearly two-thirds of fruits and vegetables and 80 percent of seafood.
—Device imports are also growing about 10 percent annually. Currently, about 50 percent of all medical devices used in the United States are imported.
—Drug imports are growing even more quickly, about 13 percent annually. About 80 percent of active pharmaceutical ingredients (API) are manufactured abroad, as are 40 percent of finished drugs.

Inspections at U.S. ports-of-entry are critical, but ultimately less than 2 percent of shipments can be inspected. Instead, FDA is following congressional direction by increasing foreign inspections and establishing foreign offices to work globally to improve the standards and quality of products entering the United States.

The value of this approach cannot really be quantified. The cost of illness, death and lost markets—from just a single bad actor in a single food category—can cost as much or more than the entire investment we put into FDA's food safety activities. Drugs and devices are harder to track for a variety of reasons, but there is no reason to doubt a similar effect.

Greater scientific complexity is diffused into every part of the agency and its mission. FDA has adopted a number of initiatives, including creation of a commissioner-level science office, investment in regulatory science, expanded and more intensive training, changes in time and manpower allotments for complex assignments, and significant reworking of the drug and medical device approval pathways.

Specifically, we have identified five areas in which FDA is improving product reviews to respond to more complex science. Each comes at a cost in additional dollars/manpower:

—sponsors need more meeting time and other feedback from FDA;
—applications require more patients, study sites and analysis;
—enhanced timeliness and consistency of product review;
—expansion of pre-and post-market safety; and
—enhance innovation, speed approvals.

Further, safety inspections have also become more complex—requiring more scientific training, more preparation and, often, more time during the inspection itself.

FDA's vital, complex worldwide public health responsibilities cannot be accomplished with its existing budget, particularly post-sequestration. The agency's mission is "at risk."

FDA is a staff-intensive organization. More than 80 percent of its budget is devoted to staff-related costs. If the agency budget fails to grow over the next few years:

—food will be less safe and consumers put at risk;
—drug and device reviews will be slower, conflicting with promises made to consumers and companies;
—problems with imports and globalization will become more numerous; and
—critical efforts to modernize the agency and improve its support for innovation will stall.

[This statement was submitted by Diane E. Dorman, President, Alliance for a Stronger FDA.]

Prepared Statement of the American Commodity Distribution Association (ACDA)

On behalf of the American Commodity Distribution Association (ACDA), I respectfully submit this statement regarding the budget request of the Food and Nutrition Service for inclusion in the subcommittee's official record. ACDA members appreciate the subcommittee's support for these vital programs.

We urge the subcommittee to fully fund administrative expense funding for the Emergency Food Assistance Program (TEFAP) at $100 million; to make TEFAP food purchase dollars available for 2 fiscal years; to approve sufficient funding to maintain caseload in the Commodity Supplemental Food Program (CSFP) and provide an increase of $5 million to begin operations in six additional States approved by USDA, and to require an interagency panel at USDA for continuous evaluation and improvement of the USDA Foods program.

ACDA is a nonprofit professional trade association, dedicated to the growth and improvement of USDA's Commodity Food Distribution Program. ACDA members include: State agencies that distribute USDA-purchased commodity foods; agricultural organizations; industry; associate members; recipient agencies, such as schools and soup kitchens; and allied organizations, such as anti-hunger groups. ACDA members are responsible for distributing over 1.5 billion pounds of USDA-purchased commodity foods annually through programs such as National School Lunch Program, the Emergency Food Assistance Program (TEFAP), Summer Food Service Program (SFSP), Commodity Supplemental Food Program (CSFP), Charitable Institution Program, and Food Distribution Program on Indian Reservations (FDPIR).

FULLY FUND TEFAP ADMINISTRATIVE FUNDS AT $100 MILLION

We urge the subcommittee to fully fund TEFAP Administrative Funds at $100 million.

Food banks around the Nation are facing more demands than ever, while resources available to them have been shrinking. Food prices have increased, reducing the volume of food that can be acquired. Natural disasters and changes in agricultural production practices have reduced available supplies so that USDA has acquired substantially lower volumes of bonus commodities than had been the case in recent years. At the same time, the number of Americans who are turning to food banks for assistance continues to increase. Since the appropriation for TEFAP Administrative Funds declined to $48 million in fiscal year 2012 following higher amounts provided as a result of the American Recovery and Reinvestment Act of 2009, food banks have had to increasingly depend upon converting food dollars to administrative expense funds in order to maintain their operations.

MAKE TEFAP FOOD DOLLARS AVAILABLE FOR 2 FISCAL YEARS

We continue to urge the subcommittee to make TEFAP food dollars available for 2 fiscal years, as was done under ARRA.

While the agencies of the Department of Agriculture work closely with food banks to provide as much food for distribution as possible, there are occasions when food dollars are at jeopardy through no fault of recipient agencies. If food orders are canceled by either USDA or vendors for any reason near the end of the Federal fiscal year, State agencies must either purchase whatever items might be available through USDA, or lose these end-of-year balances.

As we have done previously, we respectfully point out to the subcommittee that when ARRA was passed, TEFAP food dollars were allowed to be carried over from fiscal year 2009 to fiscal year 2010. This procedure helped food bank operators to make responsible decisions and to take maximum advantage of available resources.

We urge the committee to make TEFAP food dollars available for 2 years, and urge the Secretary of Agriculture to allow those States who made responsible efforts to use their TEFAP Food dollars to roll over to the next fiscal year balances unexpended through no fault of the TEFAP operator.

FUNDING FOR THE COMMODITY SUPPLEMENTAL FOOD PROGRAM

ACDA supports funding for at least maintain the current caseload for the Commodity Supplemental Food Program (CSFP), and urges the committee provide an additional $5 million to begin CSFP operations in six States that now have USDA-approved State plans—Connecticut, Hawaii, Idaho, Maryland, Massachusetts and Rhode Island. This additional funding would make CSFP available in 45 States. We appreciate the President's request for $202.682 million for CSFP in fiscal year 2014, but believe that this amount is not sufficient to allow these new States to begin operation. CSFP overwhelmingly serves elderly individuals, many of whom are homebound. States currently operating CSFP requested 116,350 additional caseload slots for the current program year, clearly showing the need for this program.

INTERAGENCY PANEL FOR EVALUATION AND IMPROVEMENT OF THE USDA FOODS PROGRAM

ACDA urges the creation of an interagency panel at USDA for continuous evaluation and improvement of the USDA Foods program. The USDA Foods program is a shared responsibility of the Food and Nutrition Service, the Agricultural Marketing Service, Farm Services Agency, and the Food Safety and Inspection Service. There is currently no formal oversight structure integrating these agencies' efforts. ACDA believes that as part of its oversight function the committee should direct the Secretary to establish an interagency panel to ensure effective management of the USDA Foods programs including contracting procedures and product specifications.

We look forward to continuing to partner with you and USDA in the delivery of these needed services.

[This statement was submitted by Wanda Shepherd, President, American Commodity Distribution Association.]

PREPARED STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION (AFBF)

The American Farm Bureau Federation has identified the following two areas for emphasis and funding in the fiscal year 2014 agriculture spending bill: Programs that enhance and improve food safety and protection; and programs that further develop renewable energy.

Farm Bureau strongly opposes any cuts to funding of the farm safety net. The farm bill discussion has begun, and the House and Senate Agriculture Committees should continue to have the primary responsibility to ensure farmers and ranchers have a viable farm safety net.

PROGRAMS THAT ENHANCE AND IMPROVE FOOD SAFETY AND PROTECTION

Farm Bureau recommends that adequate funding for food protection at the FDA and Food Safety Inspection Service (FSIS) be directed to the following priorities:
—increased education and training of inspectors;
—additional science-based inspection, targeted according to risk;
—effective inspection of imported food and feed products;
—research and development of scientifically based rapid testing procedures and tools;
—accurate and timely responses to outbreaks that identify contaminated products, remove them from the market and minimize disruption to producers; and
—indemnification for producers who suffer marketing losses due to inaccurate Government-advised recalls or warnings.

Farm Bureau supports funding for a National Antimicrobial Residue Monitoring System (NARMS) to detect trends in antibiotic resistance. NARMS protects human and animal health through integrated monitoring of antimicrobial resistance among foodborne bacteria. Farm Bureau requests that Congress direct that stakeholder involvement and industry input be a priority in the ongoing Federal review.

Farm Bureau supports funding for the Food Animal Residue Avoidance Databank (FARAD) at the authorized level of $2.5 million. FARAD aids veterinarians in establishing science-based recommendations for drug withdrawal intervals. No other Government program provides or duplicates the food safety information FARAD provides to the public.

Farm Bureau opposes the administration's request for new user fees for inspection activities. Food safety is for the public good, and as such, it is a justified use of public funds.

PROGRAMS THAT SUPPORT THE DEVELOPMENT OF RENEWABLE ENERGY

Farm Bureau supports funding for the Renewable Energy for America Program (REAP). REAP offers grants, guaranteed loans and combination grant/guaranteed loans for agricultural producers to purchase renewable energy systems and energy efficiency improvements, in addition to offering funding for energy audits and feasibility studies.

Farm Bureau has identified seven other areas of importance for funding. They are:
—Programs that promote animal health;
—Programs that promote conservation;
—Programs that expand export markets for agriculture;
—Programs that ensure the availability of crop protection tools;
—Programs that strengthen rural communities;
—Programs that support wildlife services; and
—Research priorities.

PROGRAMS THAT PROMOTE ANIMAL HEALTH

Farm Bureau supports a $5.3 million increase for the Animal and Plant Health Inspection Service (APHIS) to a total of $14 million for voluntary Animal Disease Traceability (ADT). The ADT program requires strong Government oversight on the expenditure of funds and is essential for animal health.

Farm Bureau supports $4.79 million for the Veterinary Medicine Loan Repayment Program (VMLRP) administered by the Department of Agriculture (USDA) National Institute for Food and Agriculture (NIFA). VMLRP veterinarians ensure animal health and welfare, while protecting the nation's food supply.

Farm Bureau supports $123.4 million for the FDA's Center for Veterinary Medicine (CVM). The CVM oversees the safety of animal drugs, feeds and biotechnology-derived products.

PROGRAMS THAT PROMOTE CONSERVATION

Farm Bureau supports funding for conservation programs but prioritizes working lands programs over retirement-type programs. Farmers and ranchers have made great strides in conserving our natural resources and these gains can continue through working lands programs.

PROGRAMS THAT EXPAND INTERNATIONAL MARKETS FOR AGRICULTURE

Farm Bureau supports funding at authorized levels for:
—The Foreign Agricultural Service (FAS) to maintain services that expand agricultural export markets. Farm Bureau urges continued support for the Office of the Secretary for trade negotiations and biotechnology resources.

—Export development and expansion programs such as the Market Access Program, Foreign Market Development Program, Emerging Markets Program and Technical Assistance for Specialty Crops Program. These effective programs have resulted in increased demand for U.S. agriculture and food products abroad and should be fully funded.
—Public Law 480 programs which serve as the primary means by which the United States provides needed foreign food assistance through the purchase of U.S. commodities.
—APHIS Plant Protection and Quarantine personnel and facilities, especially plant inspection stations, which are necessary to protect U.S. agriculture from costly pest problems that enter from foreign lands.
—APHIS trade issues resolution and management activities that are essential for an effective response when other countries raise pest and disease concerns (i.e., sanitary and phytosanitary measures) to prohibit the entry of American products.
—APHIS Biotechnology Regulatory Services (BRS), which oversees the permit, notification and deregulation process for plant biotechnology products. BRS personnel and activities facilitate agriculture innovation, and ensure public confidence and international acceptance of biotechnology.

Farm Bureau supports continued funding for the U.S. Codex Office. Active U.S. participation in the Codex Alimentarius Commission is essential to improving the harmonization of international science-based standards for the safety of food and agriculture products.

PROGRAMS THAT ENSURE CROP PROTECTION TOOLS

Farm Bureau supports maintaining the current funding level, $11.913 million, for the Minor Crop Pest Management (IR–4) within NIFA Research and Education Activities. Developing pest control tools has high regulatory costs, and public support has been needed to ensure that safe and effective agrichemicals and biopesticides are available for small, specialty crop markets. The IR–4 Project facilitates Environmental Protection Agency registration of safe and effective pest management technologies where the private sector is unable to cover regulatory cost.

Farm Bureau supports maintaining funding to the National Agricultural Statistical Service (NASS), specifically for the continuation of agricultural chemical-use surveys for fruits, vegetables, floriculture and nursery crops. NASS surveys provide data about the use of agricultural chemicals involved in the production of food, fiber and horticultural products.

PROGRAMS THAT STRENGTHEN RURAL COMMUNITIES

Farm Bureau supports USDA implementing a regional approach to give its Rural Development (RD) programs greater flexibility and promote innovation in rural regions.

Farm Bureau supports maintaining funding at authorized levels for:

—The Value-Added Agricultural Producer Grants, Rural Innovation Initiative, Rural Microentrepreneur Assistance Program, and Business and Industry Direct and Guaranteed Loans, which foster business development in rural communities.
—Rural Utilities Service for rural broadband and telecommunications services, and the Distance Learning and Telemedicine Program.
—The Revolving Fund Grant Program for acquiring safe drinking water and sanitary waste disposal facilities.
—The Community Facility Direct and Guaranteed Loans, which funds the construction, enlargement or improvement of essential community facilities in rural areas and small towns.
—The Resource Conservation and Development Program, which helps local volunteers create new businesses, form cooperatives and develop agri-tourism activities.
—The Beginning Farmer and Rancher Development Program, which provides participants with the information and skills needed to make informed decisions for their operations.
—Agriculture in the Classroom, a national grassroots program coordinated by USDA, which helps students gain greater awareness of the role of agriculture in the economy and society.

PROGRAMS THAT SUPPORT WILDLIFE SERVICES

Farm Bureau supports maintaining the funding level for APHIS Wildlife Services programs. Wildlife Services works to prevent and minimize an estimated $1 billion worth of wildlife damage, while protecting human health and safety from conflicts with wildlife.

RESEARCH PRIORITIES

Agricultural research is vital, particularly research focused on meeting the growing challenges of production agriculture. The United Nations' Food and Agriculture Organization predicts that farmers will have to produce 70 percent more food by 2050 to feed an additional 2.3 billion people around the globe. America's farmers are the most efficient in the world, but without a commitment to further agricultural research and technological advancement, even America's farmers could be hard-pressed to meet these challenges.

[This statement was submitted by Bob Stallman, President, American Farm Bureau Federation.]

PREPARED STATEMENT OF THE AMERICAN FOREST & PAPER ASSOCIATION (AF&PA)

INTRODUCTION

AF&PA supports $5.5 million to provide for implementation of the declaration requirement of the Lacey Act, as amended by the 2008 Farm Bill; recommends maintaining funding for the "Tree and Wood Pests" category to aid in combating these, and other pests and diseases; requests $33 million for the McIntire-Stennis Cooperative Forestry Research Program; and we would like your support and assistance in ensuring that robust funding is included for the Center for Food Safety and Applied Nutrition and that Congress expresses its intention to continue the operation of the Food Contact Notification (FCN) program.

The American Forest & Paper Association (AF&PA) is the national trade association of the forest products industry, representing pulp, paper, packaging and wood products manufacturers, and forest landowners. Our companies make products essential for everyday life from renewable and recyclable resources that sustain the environment.

The forest products industry accounts for approximately 4.5 percent of the total U.S. manufacturing GDP. Industry companies produce about $190 billion in products annually and employ nearly 900,000 men and women, exceeding employment levels in the automotive, chemicals, and plastics industries. The industry meets a payroll of approximately $50 billion annually and is among the top 10 manufacturing sector employers in 47 States. Within the jurisdiction of this subcommittee, continued resources for protecting forest health and providing adequate resources to enforce existing trade laws are essential. Specific recommendations follow.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)—LACEY ACT ENFORCEMENT

AF&PA supports $5.5 million to provide for implementation of the declaration requirement of the Lacey Act, as amended by the 2008 Farm Bill. The 2008 Farm Bill amended the Lacey Act (16 U.S.C. 3371 et seq.) to make it unlawful to trade wood products or other plants taken in violation of the laws of either a U.S. State or foreign country. This ground-breaking legislation already is influencing the way companies make sourcing decisions and monitor their supply chains. Full and effective implementation and enforcement of the Lacey Act will enable American forest product companies to compete fairly in the global marketplace, help keep jobs in the United States, deter the destructive impacts of illegal logging on forests and forest-dependent communities in developing countries, and reinforce initiatives to mitigate climate change.

When fully implemented, the law requires U.S. importers of wood and wood products to file a declaration identifying the genus/species name and country of harvest—a critical measure intended by the law's sponsors to increase supply chain transparency and assist Federal agencies in fair and strong enforcement. The prohibition and the declaration requirement affect a wide array of American industries, so it is critical that the declaration process generates data in a streamlined, cost-effective manner without unduly burdening legitimate trade. To that end, APHIS—which is responsible for implementing the declaration provision—needs $5.5 million in funding to fully implement congressional mandates, including to establish an electronic declarations database and to add internal capacity to perform data analysis needed for monitoring and enforcement purposes.

APHIS—PLANT PESTS

AF&PA recommends maintaining funding for the "Tree and Wood Pests" category to aid in combating these, and other pests and diseases. As world trade continues to expand, global weather patterns shift, and an increasingly affluent world population has the ability to travel to—and demand products from—the far corners of the globe, the inadvertent, yet inevitable introduction of nonnative pests and diseases into the United States continues. Additional funding is vitally needed to aid in combating pests such as the Asian longhorn beetle, the Emerald Ash borer, and the Sirex woodwasp, as well as diseases such as Phytopthora ramorum. These are but a sampling of the diseases that harm commercial timber stands, community parks, and private forest landowners. American citizens most certainly will bear the cost of combating these and other emergent threats. We believe a comprehensive, coordinated response to each is more effective and more economical.

NATIONAL INSTITUTE OF FOOD AND AGRICULTURE—MC INTIRE-STENNIS COOPERATIVE FORESTRY RESEARCH

AF&PA requests $33 million for the McIntire-Stennis Cooperative Forestry Research Program. Approximately one-third of the United States is forested and these forests enhance our quality of life and economic vitality and are an invaluable source of renewable bioproducts, outdoor recreation, clean water, fish and wildlife habitat, and carbon sequestration. Sustaining these forests in a healthy and productive condition requires a strong, continuing commitment to scientific research and graduate education. Foundational financial support for university-based forestry research and graduate education comes from the McIntire-Stennis Cooperative Forestry program, funded through the USDA's National Institute of Food and Agriculture. Funds are distributed according to a statutory formula to each of the 50 States, Puerto Rico, Guam, and the Virgin Islands, with a dollar-for-dollar match required from the States.

Additional funding is needed to:

—provide the additional scientific research needed to address critical forest issues such as fires, storms, insects, diseases, urbanization, fragmentation, and lost economic opportunities.

—develop new knowledge and innovations to sustain healthy, productive forests and address the challenges facing forest owners, forest products manufacturers and all Americans who benefit from our forest resources.

—support research capacity within each State to address issues that are essential to private forest owners, and develop new opportunities for economic benefit from their forests.

FOOD AND DRUG ADMINISTRATION—FOOD CONTACT NOTIFICATION PROGRAM

AF&PA supports continued funding of the Food Contact Notification Program. The Food Contact Notification (FCN) program protects consumer health, food safety, and quality while providing packaging manufacturers with an efficient process that is less burdensome than the food additive approval process. It has allowed packaging manufacturers to bring new, more environmentally friendly products to market that have extended product shelf life, thereby increasing consumer value.

President Obama's fiscal year 2014 budget includes proposed user fees to fund the FCN program, which over the last 16 years has been supported by appropriated funds with no fees for companies filing FCNs.

As Congress begins work on appropriations legislation for FDA in the coming weeks, we would like your support and assistance in ensuring that no user fees will be assessed for the FCN program but that robust funding is included in the Appropriations bills for the Center for Food Safety and Applied Nutrition, and that Congress expresses its intention to continue the operation of the FCN program. AF&PA appreciates that the subcommittee has previously rejected proposals to eliminate the FCN program.

[This statement was submitted by Elizabeth Bartheld, Vice President, Government Affairs, American Forest & Paper Association.]

PREPARED STATEMENT OF THE AMERICAN FOREST FOUNDATION (AFF)

The American Forest Foundation (AFF) urges the subcommittee to maintain critical funding for USDA forest health, stewardship, and education programs that are essential to keeping America's 11 million family forests, some 251 million acres, healthy and intact. Maintenance of these programs will help family forest owners get ahead of increasing threats, saving landowners, communities, industries, from expensive restoration in the future.

We understand the difficult decisions you need to make. Given the tight budget climate, we recommend placing the highest priority on two types of investments; those that avoid larger future costs and those that protect green infrastructure that provide public benefits. With this in mind, we urge the subcommittee to maintain funding for the following priority programs:

—Animal and Plant Health Inspection Service "Tree and Wood Pests" and "Specialty Crops" program;
—Farm Bill Conservation Programs and Natural Resource Conservation Service, Conservation Operations;
—National Institute for Food and Agriculture, Renewable Resources and Extension program; and
—National Institute for Food and Agriculture, McIntire-Stennis, Cooperative Forestry Research.

In addition, we urge the subcommittee to provide leadership in fixing the USDA Biobased Markets Program to better promote forest products.

Families and individuals own 35 percent of our Nation's forests, stewarding more acres than the Federal Government or forest industry.[1] These private forests provide myriad public benefits—clean air and water, recreation, renewable resources that build our communities, and good-paying rural jobs. But, wildfire, invasive species and other pests, development pressures, and shrinking forest products markets make it harder than ever to keep America's forests healthy and productive. We must ensure these families have financial tools, technical information, and policy support to keep their forests as forests, for current and future generations.

The American Forest Foundation is a nonprofit conservation organization that works on the ground through a variety of programs including the American Tree Farm System®, helping these 11 million families be good stewards and keep their forests healthy for future generations.

APHIS INVASIVE PEST AND PATHOGEN FUNDING

With 58 million forested acres at risk from forest pests, we strongly support maintaining funding levels for the APHIS Tree and Wood Pests and Specialty Crop programs. These programs fund eradication efforts for invasive species and work to prevent the further spread of invasive species like the Asian long-horned beetle and the emerald ash borer. Close to 500 species of foreign insects and diseases have become established in the United States, and a new damaging pest is introduced, every 2 to 3 years. It is APHIS' responsibility to prevent such introductions and to respond effectively when pests are introduced. According to the National Woodland Owner Survey, the threat of forest pests, is the number one concern for family forest owners. When an invasive species infests a family's forest, it can destroy their investment, making it difficult to recover since most families don't generate regular income.

The APHIS Tree and Wood Pest program's principle effort is eradication of the Asian longhorned beetle. This pest threatens the vitality of maples and birches, among other trees species, and could devastate forests from Maine to Minnesota at a cost of more than $600 billion.

Similarly, the Specialty Crops program supports efforts to curtail the spread of the sudden oak death pathogen, among others, which can be spread through the interstate transfer of infected plants. Without proper funding, this pathogen could easily spread across the United States, killing millions of high quality, valuable oak trees.

FARM BILL CONSERVATION PROGRAMS

Farm Bill Conservation Programs, mainly EQIP, WHIP, CSP, and HRFP, provide tools to family forest owners, leveraging the family's own resources to implement hazardous fuels treatments, insect and disease treatments, or other stand improvement activities in their forests—treatments that can save future restoration costs to the landowner and surrounding community. Take for example, the story of Keith and Karen Abrahamson from Michigan. Their forest was attacked by the emerald ash borer, an invasive beetle that destroys ash trees. Since the family did not have adequate resources to remove damaged ash trees and restore their forest, they enrolled in EQIP, which leveraged their funds to get their forest healthy again.

Harry and Joyce Pionke from central Pennsylvania faced a similar threat. In 2007, a combination of a drought and a gypsy moth infestation devastated their oak-

[1] USDA, May 2008, *Who Owns America's Forests?*

dominated forest. Having just retired, Harry and Vickie could not restore the forest on a fixed income, but through CSP, they leveraged their resources to reestablish and diversify their woods, ensuring that the forest won't take a century to re-grow and the next gypsy moth strike won't be as damaging.

NRCS CONSERVATION OPERATIONS

NRCS Conservation Operations funds technical assistance and outreach to landowners and supports implementation of Farm Bill Conservation Programs. Without these important resources, landowners would not have the professional guidance that they need to manage their land and enroll in conservation programs. These resources are especially important when considering that very few of the 10 million family forest owners are actively engaged in the management of their land, as evidenced by the fact that less than 5 percent of family forest owners have forest management plans. Without outreach to these landowners, many assume that leaving their forest alone is the best solution. However, this is no longer an option for forest owners, given the many threats impacting their forests. If left unchecked, these threats will undermine their forests and the benefits that all American's receive from them.

AFF can be a strong ally with NRCS in implementing technical assistance to forest owners by improving the efficiency and cost-effectiveness of NRCS outreach. In fact, last year in Wisconsin, because of work AFF and our on-the-ground partners like Aldo Leopold Foundation were able to do to engage woodland owners to actively manage their land for conservation outcomes, we provided the NRCS with a "pre-vetted" audience of woodland owners who were ready to implement conservation practices and more apt to do so with the added incentive of EQIP support. This saved NRCS field agents the time necessary for identifying landowners with very little land management experience, but ripe for EQIP stewardship opportunities. AFF's effort also streamlined the process by initiating conversations to educate and engage these landowners with the EQIP opportunities. We look forward to working more closely with NRCS on projects such as this in the future.

NIFA RENEWABLE RESOURCES EXTENSION PROGRAM

As mentioned above, there is a significant portion of family forest owners that are not engaged in the management of their forest. This means that their forests are not fully providing the public benefits nor are they able to withstand impending forest health challenges. The Renewable Resources Extension Program supports outreach and education to forest owners, so they have the information they need to be good stewards of their land. The extension foresters that this program supports are essential to landowners, providing them with a spectrum of information from dealing with insect infestations to tax advice for new forest owners. The extension programs leverage significant State and local dollars and are a key partner to organizations like the American Forest Foundation.

NIFA MC INTIRE-STENNIS COOPERATIVE FORESTRY RESEARCH

The forestry research carried out by the Nation's land grant universities and funded through the McIntire-Stennis program provides essential tools and information for family forest owners. This program also supports critical family forest research, so we can identify barriers to stewardship and how to reduce these obstacles. Finally, it helps train the next generation of forestry professionals to give forest owners the tools and technical assistance they need.

BIOBASED MARKETS PROGRAM

In addition to these tools and resources, family forest owners also need healthy markets to ensure the revenue necessary to maintain healthy, productive forests. The American Forest Foundation encourages the subcommittee to urge the U.S. Department of Agriculture to fix the Biobased Markets Program, to remove the disadvantage for forest products in the program.

Thank you for your consideration of these important programs. We urge the committee, when considering its priorities for fiscal year 2014, to maintain funding for these key programs, to ensure family forests stay healthy and intact, and continue to provide myriad public benefits that all Americans enjoy. We greatly appreciate the opportunity to share testimony as the subcommittee prepares a fiscal year 2014 appropriations bill. We look forward to sharing more specific recommendations following release of the fiscal year 2014 administration budget.

[This statement was submitted by Tom Martin, President and CEO, American Forest Foundation.]

PREPARED STATEMENT OF THE AMERICAN HEART ASSOCIATION

The American Heart Association is pleased to submit this statement regarding the Food and Drug Administration's (FDA) and U.S. Department of Agriculture's (USDA) efforts to reduce sodium consumption in the United States.

Excess sodium consumption is a significant public health issue. Diets high in sodium have been linked to high blood pressure and associated with an increased risk for heart attack, stroke, and kidney disease. Unfortunately, the average American consumes more than 3,600 mg of sodium per day which far exceeds the American Heart Association's recommended daily intake of less than 1,500 mg per day. Recent research has shown that even gradual reductions in sodium consumption to 2,200 mg should result in 280,000 to 500,000 fewer deaths over 10 years.[1] A national effort to reduce sodium consumption would also save $10 to $24 billion in healthcare costs annually.[2]

THE SCIENCE BEHIND SODIUM REDUCTION

AHA is aware that despite the abundance of studies showing the benefits of lowering sodium consumption, there are some who still question the evidence supporting population-wide sodium reduction. Common arguments include the absence of a major randomized-controlled trial with hard clinical outcomes. It is well-known, however, that such trials are not feasible because of logistic, financial, and often ethical considerations.[3] In fact, there is no trial of weight reduction or increased physical activity on hard clinical outcomes, and only one definitive trial of smoking cessation therapy on lung cancer.[4] It also has been argued that sodium reduction might be harmful.[5] However, the evidence for harm is unpersuasive, based largely on inferences from cohort studies with major methodological limitations, particularly, incomplete assessment of sodium intake and the potential for reverse causality.[6] The methodological issues limit the usefulness of the available cohort studies as a basis for guiding sodium intake policy, much less reversing recommendations.[7]

On January 13, 2011, the Association published a Presidential Advisory entitled "The Importance of Population-Wide Sodium Reduction as a Means to Prevent Cardiovascular Disease and Stroke: A Call to Action from the American Heart Association". The Advisory called for a renewed and intensive focus on population-wide sodium reduction. In November 2012, AHA reaffirmed the need to reduce sodium consumption in a new Presidential Advisory "Sodium, Blood Pressure, and Cardiovascular Disease: Further Evidence Supporting the American Heart Association Sodium Reduction Recommendations".

The principal basis for AHA's recommendation is the strength of the scientific evidence relating excess sodium intake to high blood pressure, cardiovascular disease and stroke, and the capacity of reduced intake of sodium to prevent and treat hypertension and reduce the risk of adverse cardiovascular disease and stroke events. High blood pressure, both prehypertension and hypertension, is a leading cause of preventable morbidity and mortality worldwide. It affects more than 76 million U.S. adults and is a major cause of cardiovascular disease; 54 percent of strokes and 47 percent of coronary heart disease events are attributed to elevated blood pressure.[8] An estimated 9 in 10 Americans will develop high blood pressure during their lifetime.[9]

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[1] Coxson PG, et al. Mortality Benefits from U.S. Population-Wide Reduction in Sodium Consumption. *Hypertension* 2013; 61(3):564–570.

[2] Appel LJ, et al. The Importance of Population-Wide Sodium Reduction as a Means to Prevent Cardiovascular Disease and Stroke: A Call to Action From the American Heart Association; *Circulation*. 2011;123:1138–1143.

[3] Whelton PK, et al. Sodium, Blood Pressure, and Cardiovascular Disease: Further Evidence Supporting the American Heart Association Sodium Reduction Recommendations. *Circulation*. 2012;126:2880–2889

[4] Anthonisen NR, Skeans MA, Wise RA, Manfreda J, Kanner RE, Connett JE, Lung Health Study Research Group. The effects of a smoking cessation intervention on 14.5-year mortality: a randomized clinical trial. Ann Intern Med. 2005;142:233–239.

[5] Alderman MH. Reducing dietary sodium: the case for caution. JAMA.2010;303:448–449.

[6] Cook NR, Sacks F, MacGregor G. Public policy and dietary sodium restriction. JAMA. 2010;303:1917; author reply 1917–1918.

[7] Ibid.

[8] Lawes CM. Global Burden of Blood-Pressure-Related Disease, 2001. Lancet 2008;371:1513.

[9] Vasn RS. Beiser A., et al. Residual Lifetime Risk for Developing Hypertension in Middle-Aged Women and Men: The Framingham Study. JAMA. 2002; 287:1003–1010.

REDUCING THE SODIUM CONTENT OF THE FOOD SUPPLY

More than 75 percent of consumed sodium is estimated to come from sodium added to restaurant and processed foods before purchase.[10] [11] Even those who read labels are often left without realistic alternatives to high-sodium foods, and those who eat out, a behavior that has increased more than 200 percent from 1977 to 1995, are subjected to excessive sodium intakes from routinely served, processed foods.[12]

Some food items are extremely high in sodium. However, from a public health perspective, the problem of excess sodium largely reflects the cumulative intake of common foods that are only moderately high in sodium. Hence, any meaningful strategy to reduce sodium intake population-wide must involve the efforts of food manufacturers, food processors, and restaurant industries, a strategy that is being successfully implemented in other countries. For example, the United Kingdom has a vigorous salt reduction campaign, which has resulted in an estimated population-wide reduction in sodium intake of 10 percent.[13] According to the CDC, a 10 percent reduction in dietary sodium intakes could be achieved by reducing the sodium content of the top 10 sources of dietary sodium by 25 percent.[14] This degree of reduction could prevent an estimated 28,000 deaths and $7 billion in healthcare expenditures annually.[15]

The American Heart Association's Presidential Advisory and Call to Action follows a 2010 Institute of Medicine (IOM) report that provides a roadmap for lowering Americans' intake of sodium.[16] It was noted that for 40 years, efforts to reduce sodium intake of the U.S. population have been unsuccessful. This absence of tangible progress reflects the lack of a substantive, multidimensional, environmentally focused strategic plan with measurable outcomes, joint-ownership, and accountability among the many stakeholders. Specifically, given the ubiquity of sodium in the food supply, the prior focus on encouraging individuals to select reduced-sodium products has not meaningfully reduced sodium intake to achieve levels consistent with the U.S. Dietary Guidelines for Americans.[17] Such efforts must be accompanied by an overall reduction of the level of sodium in the food supply. IOM made a series of recommendations, many of which involved regulatory actions (e.g., setting mandatory national standards for the sodium content of processed foods).

In response to these developments, FDA and the USDA's Food Safety and Inspection Service (FSIS) issued a Federal Register notice requesting information on methods for reducing sodium consumption.[18] Upon release of the notice, FDA and FSIS held a public meeting and accepted comments until January 27, 2012. Since that time, however, neither FDA nor FSIS has responded to the IOM's recommendations. In the interim, some manufacturers and retailers have reduced the sodium content of some of their products,[19] [20] but many have not. Further reductions are clearly necessary in order to achieve meaningful reductions in Americans' sodium intakes.

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[10] Mattes RD, Donnelly D. Relative contributions of dietary sodium sources. J Am Coll Nutr. 1991;10:383–393.

[11] CDC. Vital Signs: Food Categories Contributing the Most to Sodium Consumption—United States, 2007–2008. MMWR 2012; 61.

[12] Dietary Guidelines Advisory Committee. 2010 Report of the Dietary Guidelines Advisory Committee on the Dietary Guidelines for Americans. Washington, DC: U.S. Department of Agriculture; 2010.

[13] Food Standards Agency. Dietary Sodium Levels Surveys. tna.europarchive.org/20101007132006/http://www.food.gov.uk/news/newsarchive/2010/mar/saltcommitments.

[14] CDC. Vital Signs: Food Categories Contributing the Most to Sodium Consumption—United States, 2007–2008. MMWR 2012; 61.

[15] Bibbins-Domingo K, Chertow GM, Coxson PG, et al. Projected effect of dietary salt reductions on future cardiovascular disease. N Engl J Med 2010;362:590–9.

[16] Institute of Medicine. Strategies to Reduce Sodium Intake in the United States. Washington, DC: National Academy Press; 2010.

[17] Supra, n. 7.

[18] On September 15, 2011, the FDA and FSIS established a docket (FDA–2011–N–0400 and FSIS–2011–0014) to obtain comments, data, and evidence related to the dietary intake of sodium as well as current and emerging approaches designed to reduce sodium consumption. Comments were accepted until January 27, 2012.

[19] For example, Walmart, the Nation's largest grocer, pledged to work with manufacturers to reduce the sodium content of the foods its sells by 25 percent by 2015. http://news.walmart.com/news-archive/2011/01/20/walmart-launches-major-initiative-to-make-food-healthier-healthier-food-more-affordable.

[20] Recently, 21 packaged food and restaurant companies reduced sodium in popular products through a voluntary commitment that was part of the New York City Health Department's National Salt Reduction Initiative. http://www.nyc.gov/portal/site/nycgov/menuitem.c0935b9a57bb4ef3daf2f1c701c789a0/index.jsp?pageID=mayorpress__release&catID=1194&doc__name=http%3A%2F%2Fwww.nyc.gov%2Fhtml%2Fom%2Fhtml%2F2013a%2Fpr058-13.html&cc=unused1978&rc=1194&ndi=1.

Successful sodium reduction requires action and partnership at all levels—individuals, healthcare providers, professional organizations, public health agencies, and industry. But such actions will not occur without Government leadership. The AHA urges the subcommittee to see that FDA and FSIS place a renewed and intensive focus on this critically important public health issue in line with the IOM's recommendations.

As a first step, we suggest that the subcommittee direct the FDA and FSIS to provide this committee with an update on the agencies' actions following the 2011 request for information on approaches to reduce sodium consumption.[21]

In an era of budget cutting, we recognize that the agencies' resources to act are limited. However, our organization stands ready to assist FDA and FSIS. We look forward to partnering with the agencies and private organizations to achieve a population-wide reduction in sodium intake.

[This statement was submitted by Donna Arnett, Ph.D., President, American Heart Association.]

PREPARED STATEMENT OF THE AMERICAN HONEY PRODUCERS ASSOCIATION, INC. (AHPA)

Chairman Pryor and members of the subcommittee, my name is Randy Verhoek, and I currently serve as president of the American Honey Producers Association (AHPA). I am pleased today to submit the following statement on behalf of the AHPA, a national organization of commercial beekeepers actively engaged in honey production and crop pollination throughout the country. The purpose of this statement is to bring to your attention the continued threats faced by American beekeepers and the risk those threats pose to billions of dollars in U.S. agriculture that rely upon honeybee pollination services. To mitigate the impact of these threats in the short term and to eliminate the threats in the long term, we respectfully request an appropriation that meets the needs anticipated by the 2008 farm bill—first by fully funding the Emergency Livestock Assistance Program (ELAP) so that affected beekeepers hit with severe losses due to colony collapse disorder (CCD) will not need to consider shuttering the doors on their operations. Funding for ELAP should be sufficient to meet beekeeper demands for both fiscal year 2013 and fiscal year 2014, which based on historic trends and current circumstances will require a fiscal year 2014 appropriation of at least $25 million that can be used to pay claims from both fiscal years. Second, we request funding for essential long-term research to combat CCD and to conduct other essential honeybee research through the Agricultural Research Service (ARS) and other agencies at the Department of Agriculture, including at least $11.7 million for bee research at the ARS Honeybee Research Laboratories and no less than $10 million for the National Institutes of Food and Agriculture (NIFA) for honey bee research and extension activities. And finally, we thank the subcommittee for its efforts in 2012 to ensure long-term commitments from USDA to maintain the vital honey bee research agenda previously housed at the ARS Honey Bee Research Laboratory in Weslaco, Texas. Consistent with those commitments, we strongly encourage the subcommittee to continue to provide oversight over the transitioning of the honey bee research agenda from Weslaco, Texas, to the various other ARS laboratories. AHPA stands by as a resource should our assistance be needed.

As your subcommittee is keenly aware, honeybees are an irreplaceable part of the U.S. agricultural infrastructure. Honeybee pollination is critical in the production of more than 90 food, fiber, and seed crops, and it directly results in $15 to $20 billion in U.S. farm output each year. One key example is the almond crop. California grows 100 percent of the Nation's almonds and supplies 80 percent of the world's almonds, all of which are 100 percent pollinated by managed bees. In fact, about 65 percent of managed colonies in the United States are transported each year from other parts of the country to pollinate those almonds. In addition to this clear commercial benefit, honeybees are also vital to the health of all Americans given the dietary importance of such diverse pollinated crops as almonds, apples, oranges, melons, blueberries, broccoli, tangerines, cranberries, strawberries, vegetables, alfalfa, soybeans, sunflower, and cotton, among others. In fact, honeybees pollinate about one-third of the human diet. As one recent headline noted, "without honeybees, we may cease to be."

With this in mind, a threat to the existence of managed American honeybees is a threat to all Americans. And unfortunately, the American honeybee continues to

[21] Supra, n. 16.

face a number of significant threats. While not specifically a topic of relevance for congressional appropriators, complex trade law circumvention and customs fraud schemes continue to disadvantage the American honey producer, stress pollinated crops and even threaten the health and safety of consumers. This substantial trade threat is layered on top of the industry's ongoing battle against CCD, a phenomenon that since at least 2005 has ravaged bee colonies across the United States, moving from one apiary to another in unpredictable patterns and causing the death of up to 90 percent of the bee colonies in affected apiaries. The National Research Council at the National Academy of Sciences has, as a result of CCD, characterized the beekeeping industry as being in "crisis mode"—a point echoed and re-emphasized in a USDA action plan regarding honeybee threats. And hundreds of news articles and many in-depth media reports have continued to chronicle the looming disaster facing American beekeepers and the producers of over 90 fruit, vegetable and fiber crops that rely on honeybee pollination. This year is no exception, with some of our Nation's largest and most systemically important beekeepers reporting substantial losses. Expectations are that many of them will experience losses in excess of 50 percent of their colonies. In fact, in the past month alone, several television news segments have aired and dozens of articles have been written on the topic. The New York Times recently featured an article titled, "Soaring Bee Deaths in 2012 Sound Alarm on Malady" and another titled "Calamity for Our Most Beneficial Insect". A CBS segment accurately noted that the "deepening honey bee crisis creates worry over food supply".

As you know, the Emergency Assistance for Livestock, Honey Bees and Farm-Raised Fish Program (ELAP) was enacted as part of the 2008 farm bill to assist eligible producers in the face of just this kind of crisis. ELAP is intended to help reduce losses due to diseases, adverse weather and other conditions that are not covered under any other program or by any insurance program. This new disaster program proved over the last 5 years to be the only effective safety net for struggling beekeepers whose colonies have been devastated year over year by the major, still unresolved problem of Colony Collapse Disorder (CCD). Unfortunately, in the American Taxpayer Relief Act of 2012, a last-hour amendment stripped ELAP of mandatory funding for fiscal year 2013 and beyond. While we understand the challenges associated with finding new money to fund this essential program for fiscal year 2013 and fiscal year 2014, we plea with the subcommittee to work with us to find a solution. By our calculation, at least $25 million will be needed to cover claims for both fiscal years.

In addition to the acute crisis at hand, we must also stay vigilantly focused on the long term solution to this major problem. Despite extensive and coordinated work by experts from Government, academia and the private sector, the definitive causes of and solutions for CCD have yet to be identified. The research is complex, as there are a wide range of factors that—either alone or in combination—may be causes of this serious condition, including the impact of certain systemic crop pesticides. Continuing infestations of the highly destructive Varroa mite, combined with other pests and mites, are also thought to compromise the immune systems of bees and may leave them more vulnerable to CCD. At the same time, researchers will need to focus on the many reported instances in which otherwise healthy, pest-free, stationary bee colonies are also suffering collapse or problems with reproduction.

AHPA, other industry officials, and leading scientists believe that an important contributing factor in the current CCD crisis is the longstanding, substantial underfunding of U.S. bee research, resulting in an inadequate capacity to respond to new research challenges and to take long term steps to assure honeybee health. In recent years, honeybee research has become overly confined to four, and now three, ARS laboratories that, while providing the first line of defense against exotic parasitic mites, Africanized bees, viruses, brood diseases, pests, pathogens and other conditions, simply cannot be expected to handle the full range of honeybee research challenges at current funding levels. At the same time, universities and the private sector, despite their ability to provide significant and innovative new research on emerging bee threats, have scaled back their efforts due to a lack of available funds.

In recent years, the Federal Government has spent very modest amounts at each ARS Honeybee Research Laboratory—for a sector that contributes nearly $20 billion per year to the U.S. farm economy and exponentially more to ensuring ecological balance and a healthy human diet. Worse still, with the emergence of CCD, funding amounts have not been increased commensurate with growing bee health concerns, resulting in a serious gap between the threats faced by U.S. honeybees and the capacity of our researchers to respond. Closing this gap will require significant new resources. To give a sense of this cost, it is estimated that each new scientist, technician and the support materials that they need will cost an additional $500,000 per year. Many new scientists are needed. The entire ARS research budget for honey bees is a paltry $11.7 million for all three ARS Honeybee Research Laboratories.

To address these challenges, the AHPA respectfully requests funding consistent with authorizations provided in the 2008 farm bill, but no less than appropriated in fiscal year 2012, including at least $11.7 million for ARS honey bee research. Specifically, the funds should be divided among the following Department of Agriculture agencies and programs: (1) the three ARS Bee Research Laboratories for new personnel, facility improvement, and additional research; (2) the Animal and Plant Health Inspection Service to conduct a nationwide honeybee pest and pathogen surveillance program; (3) the ARS Area Wide CCD Research Program divided between the Beltsville, Maryland and the Tucson, Arizona research laboratories to identify causes and solutions for CCD in affected States; (4) the NIFA to fund extension and research grants to investigate the following: honey bee biology, immunology, and ecology; honey bee genomics; native bee crop pollination and habitat conservation; native bee taxonomy and ecology; pollination biology; sub-lethal effects of insecticides, herbicides, and fungicides on honey bees, native pollinators, and other beneficial insects; the effects of genetically modified crops, including the interaction of genetically modified crops with honey bees and other native pollinators; honeybees, bumblebees, and other native bee parasites and pathogens' effects on other native pollinators; and (5) the additional ARS research facilities in New York, Florida, California, Utah, and Texas for research on honeybee and native bee physiology, insect pathology, insect chemical ecology, and honeybee and native bee toxicology.

Unfortunately, last year, ARS, despite our strong opposition, closed the Weslaco ARS research facility, including the ARS Honeybee Research Laboratory—perhaps the newest and best of the four honeybee research laboratories in terms of practical, near term results achieved. Although a result of broader budgetary pressures—and not a decision aimed directly at honeybee research—the move nonetheless has caused great concern for our industry. From ARS's closure notification, it is our understanding that funds currently dedicated to the Weslaco honeybee research function are being "re-directed" to honeybee research currently conducted in Beltsville, Maryland; Baton Rouge, Louisiana; and Tucson, Arizona.

We respectfully call on the subcommittee to continue to provide invaluable oversight to ensure that the vital research function previously performed at the Weslaco honey bee laboratory is not lost or diminished in this transition. In particular, we would ask the subcommittee to encourage movement of as much of the research as possible, including the bee colonies, from Weslaco to Baton Rouge and not to Tucson. Tucson does not have the right climate or forage to keep large quantities of bee colonies alive. Further, we are very concerned about the loss of personnel that has resulted from the transition—a loss we were assured would not happen and one we absolutely cannot afford at this time of need. Finally, we ask the subcommittee to consider dedicating future funding to improving the ARS facility in Baton Rouge so that it can absorb the Weslaco research and expand its own research capacity. The Baton Rouge facility was designed in the 1950s, and unlike the state of the art facility that was closed in Weslaco, it needs substantial updating.

And while to date the ARS Research Laboratories have been the backbone of American Honeybee research, we do not believe that those facilities alone—even when fully funded—will have the capacity to meet today's research needs. This is why, after analyzing the new and serious threats to U.S. honeybees, Congress, representatives of the farm sector and leading researchers developed the research priorities that were incorporated into the 2008 farm bill. In addition to increased resources for ARS research, these experts pressed for new funding, through NIFA, for Government, academic and private sector research. They also urged new bee surveillance programs through the Animal and Plant Health Inspection Service to address the alarming lack of accurate information about the condition of U.S. bee colonies.

One particularly effective way of adding needed capacity and innovative expertise in the effort to ensure honeybee health would be to reinvigorate private sector and university bee research initiatives. For many years, these sectors played a vital role in honeybee research, and many leading universities have significant bee research capabilities. In recent years, non-Federal agency research has substantially declined due to a lack of support for such initiatives. Fully funding the 2008 farm bill authorization for the Department of Agriculture's NIFA would go a long way toward achieving this worthy goal. We respectfully request that the subcommittee provides no less than $10 million for NIFA's honey bee research and extension activities in fiscal year 2014.

NIFA is tasked with advancing knowledge for agriculture by supporting research, education, and extension programs. Funds may be channeled through the Department to researchers at land-grant institutions, other institutions of higher learning, Federal agencies, or the private sector. The requested funding for NIFA would provide important flexibility in allocating badly needed Federal dollars among Government, private sector and university researchers. The recipients would provide more widespread research on honeybee biology, immunology, ecology, and genomics, pollination biology, and investigations into the effects on honeybees of potentially harmful chemicals, pests, other outside influences, and genetically modified crops. The result of such funds would be to ensure flexible financing with a comprehensive plan for battling CCD, pests, and other ongoing and future honeybee threats.

In conclusion, we wish to thank you again for your past support of honeybee research and for your understanding of the critical importance that Federal funding plays in ensuring a healthy honeybee supply. By way of summary, in fiscal year 2014, the American Honey Producers Association strongly requests no less than $25 million for the Emergency Livestock Assistance Program, at least $11.7 million in funding for CCD and other honeybee research at the ARS Honeybee Research Laboratories, and no less than $10 million for NIFA's honey bee research and extension activities. The AHPA strongly encourages continued oversight to ensure the vital Weslaco research agenda is properly transferred and adequately prioritized at the other ARS laboratories. Only through critical research can we have a viable U.S. beekeeping industry and continue to provide stable and affordable supplies of bee-pollinated crops, which make up fully one-third of the U.S. diet. I would be pleased to provide answers to any questions that you or your colleagues may have.

[This statement was submitted by Randy Verhoek, President, American Honey Producers Association, Inc.]

Prepared Statement of the American Indian Higher Education Consortium (AIHEC)

This statement includes a summary of our fiscal year 2014 funding recommendations and an outline of the 1994 Institutions' plan for using our land grant programs to fulfill the agricultural potential of American Indian communities, and to ensure that American Indians have the skills and support needed to maximize the economic potential of their resources.

SUMMARY OF FISCAL YEAR 2014 REQUESTS

While we recognize the current economic climate and resulting constraints, and although the amounts requested are above that previously appropriated, we believe these requests to still be modest given the fact that the funds appropriated are currently shared among 32 tribal college land-grant institutions, and that two additional tribal colleges will soon be added to the list of 1994 land-grant institutions and therefore eligible to a portion of the funding, as well. The Tribal Colleges and Universities (TCUs) that are the 1994 Land-Grant Institutions are an essential component of land grant system. The current 1994 Institutions operate more than 70 campuses and sites in 13 States, within whose geographic boundaries most American Indian reservations and Federal Indian trust land lie. They serve students from well over 250 federally recognized tribes, more than 75 percent of whom are eligible to receive Federal financial aid. In total, the TCUs annually serve about 88,000 American Indians/Alaska Natives (AI/AN) through a wide variety of academic and community-based programs, including land-grant programs. TCUs are accredited by independent, regional accreditation agencies and like all U.S. institutions of higher education must undergo stringent performance reviews on a periodic basis to retain their accreditation status.

The 1994 Institutions have programs established within the USDA National Institute of Food and Agriculture (NIFA) and the Rural Development mission area. In NIFA, we request: $30 million for the 1994 Institutions' competitive Extension grants program; $15 million for the 1994 Institutions' competitive Research Grants program; $30 million for the Higher Education Equity Grants; a doubling of the corpus in the Native American Endowment fund; and in the Rural Development—Rural Community Advancement Program (RCAP), that the full $10 million authorized, be appropriated for the TCU Essential Community Facilities Grants program to help the 1994 Institutions address the critical facilities and infrastructure needs that advance their capacity to participate as full land grant partners.

1994 LAND GRANT PROGRAMS—SOLID INVESTMENT IN ECONOMIC CAPACITY

In the past, due to lack of expertise and training, millions of acres on Indian reservations lay fallow, under-used, or had been developed using methods that caused irreparable damage. The Equity in Educational Land Grant Status Act of 1994 is helping to address this situation and is our hope for the continued improvement of our reservation lands. Our current land grant programs remain very small, yet critically important to us. It is essential that American Indians explore and adopt new and evolving technologies for managing our lands. With increased capacity and program funding, we will become even more fundamental contributors to the agricultural base of the nation and the world.

1994 Competitive Extension Grants Programs.—The 1994 Institutions' extension programs strengthen communities through outreach programs designed to bolster economic development; community resources; family and youth development; natural resources development; and agriculture; as well as health and nutrition education and awareness. Without adequate funding the 1994 Institutions' ability to maintain existing programs and to respond to the many emerging issues, such as food safety and homeland security (especially on border reservations) is severely hampered. The 1994 Institutions have continued to apply their resourcefulness for making the most of every dollar they have at their disposal by leveraging funds to maximize their programs whenever possible. For example, Nebraska Indian Community College (NICC) is conducting a 1994 Extension program called Preserving Native Seed Corn that assists tribal members in the production and preservation of culturally valuable heirloom seed corn through workshops and technical assistance. Program participants learn culturally appropriate strategies to address and solve critical issues such as food security, health and nutrition, and community development. Ironically, the 1994s—the only land-grant institutions that are chartered by federally recognized tribes—are the only land-grant institutions that are not permitted to compete for grants intended to provide services to federally recognized tribal communities. Only the 1862 (State) and 1890 (HBCU) land-grant institutions are eligible to compete for grant awards under the Federally Recognized Tribes Extension Program (FRTEP).

1994 Competitive Research Grants Program.—Impressive efforts to address economic development through natural resource management have emerged from the 1994 Institutions collaborative research projects conducted in partnership with 1862/1890 land-grant institutions. The 1994 Research Grants program illustrates an ideal combination of Federal resources and TCU-State institutional expertise, with the overall impact being far greater than the sum of its parts. The $1,805,000 appropriated in fiscal year 2010 for research to be conducted at all 32 tribal institutions, in partnership with another non-1994 land-grant institution, is the largest appropriation for this program to date, and is by any measure, wholly inadequate to develop capacity and conduct necessary research at our institutions. The 1994 Research Grants program is vital to ensuring that TCUs may finally be recognized as full partners in the Nation's land grant system. While many of our institutions are conducting applied research, continuing to find the resources for this research to address their communities' needs is a continuous challenge. Priority issue areas that are currently being studied at the 1994 land-grants include: sustainable agriculture and forestry; biotechnology and bioprocessing; agribusiness management and marketing; plant propagation, including native plant preservation for medicinal and economic purposes; animal breeding; aquaculture; ramifications of human nutrition (including health, obesity, and diabetes); and family, community, and rural development. For example, Haskell Indian Nations University (HINU) in Lawrence, Kansas is partnering with Kansas State University on a project funded by a 1994 Research grant entitled: Food Deserts, Edible Landscapes, and Healthier Choices in Kansas. The project seeks to determine if extension services and peer-to-peer mentoring can improve the success of new American Indian gardeners. Researchers will also determine the best vegetable cultivars and fruit and nut tree varieties for the local area and provide outreach and technical assistance to Tribal members enrolled in Tribal gardening programs.

1994 Institutions' Educational Equity Grant Program.—This program is designed to assist 1994 Institutions with academic programs. Through the modest appropriations first made available in fiscal year 2001, the 1994 Institutions have developed and implemented courses and degree programs in natural resource management; environmental sciences; horticulture; forestry; and food science and nutrition. This last category is helping to address the epidemic rates of diabetes and cardiovascular disease that plague American Indian reservations.

Native American Endowment Fund.—Endowment installments that are appropriated under the 1994 Institutions' account remain with the U.S. Treasury. Only the annual interest yield, less the USDA's administrative fee, is distributed to the 1994 Institutions. The latest interest yield, divided among the eligible 32 TCU land-grants by statutory formula, was $4,997,881 after the USDA NIFA claimed its standard 4 percent administrative fee of $209,242. Once again, the NIFA, to simply make the funds available for draw down by the eligible 1994 Institutions, received a larger share than about 80 percent of the 1994 institutions received to provide much-needed community programs and services. We respectfully request that (1) the subcommittee consider doubling the current endowment corpus over the next 2 years, to help stabilize the annual funding available to each of the 1994 land-grants, and (2) direct USDA–NIFA to reduce the administrative fee to not more than 1 percent of the 1994 Endowment annual interest yield, so that more of these funds can be put to use by the 1994 Institutions to conduct essential community-based programs and address critical infrastructure needs.

Tribal Colleges and Universities Essential Community Facilities Program (Rural Development).—Construction and facilities maintenance is necessary and expense. It is not unreasonable to expect that this competitive program be funded at the fully authorized level of $10 million to help address the considerable facilities and infrastructure needs of over 30 land-grant institutions.

CONCLUSION

The 1994 Institutions have proven to be efficient and effective vehicles for bringing educational opportunities to American Indians/Alaska Natives and the promise of self-sufficiency to some of this Nation's poorest and most underserved regions. The small Federal investment in the 1994 Institutions has already paid great dividends in terms of increased employment, access to higher education, and economic development. Continuation of and growth in this investment makes sound moral and fiscal sense. American Indian reservation communities are second to none in their potential for benefiting from effective land-grant programs and, as earlier stated, no institutions better exemplify the original intent of Senator Morrill's land grant concept than the 1994 Institutions.

We truly appreciate your support of the 1994 Institutions and recognition of their role in the Nation's land grant system. We ask you to renew your commitment to help move our students and communities toward self-sufficiency and respectfully request your full consideration of our fiscal year 2014 appropriations requests.

PREPARED STATEMENT OF THE AMERICAN NURSERY & LANDSCAPE ASSOCIATION (ANLA) AND THE SOCIETY OF AMERICAN FLORISTS (SAF)

The American Nursery & Landscape Association (ANLA) and the Society of American Florists (SAF) welcome this opportunity to present the nursery and floriculture industry's views regarding the U.S. Department of Agriculture's (USDA) budget for the fiscal year 2014.

ANLA is the national trade organization representing the U.S. nursery and landscape industry. ANLA represents some 11,000 family farms and small businesses who are active members of ANLA and/or its State and regional nursery and landscape association partners. ANLA's grower members produce all types of plant material for domestic and export markets. Domestically, ANLA members are estimated to produce about 75 percent of the nursery and greenhouse crops moving in domestic commerce in the United States that are destined for landscape use.

SAF is the national trade association representing the floriculture industry in the United States. Membership includes some 10,000 small businesses, including growers, wholesalers, retailers, importers and related organizations, located in communities nationwide and abroad. The industry produces and sells cut flowers and foliage, foliage plants, potted flowering plants, and bedding plants, which compete in the international marketplace.

ECONOMIC IMPORTANCE OF THE INDUSTRY

The floriculture and nursery industry represents a vibrant and economically very significant part of American agriculture. Floriculture and nursery crops are the third largest domestic U.S. crop in value, ahead of wheat, tobacco and cotton, and outranked only by corn and soybeans. Nursery and floriculture crops represent about 15 percent of total U.S. crop receipts, and comprise over $15 billion of the U.S. farmgate economy. But we would not have even these indicators of our industry's importance without the surveys discussed in the following paragraphs.

NATIONAL AGRICULTURAL STATISTICS SERVICE (USDA/NASS)

The National Agricultural Statistics Service (NASS) provides statistical survey information essential to decisionmakers not only for Government, Congress, and other policymakers, but also for producers, for their economic and policy decisions. The President's budget request for fiscal year 2014 represents a $1 million reduction from the fiscal year 2013 budget, which continues a downward trend that is a significant concern for our industry.

In addition, we are concerned that several statistical surveys of great importance to the environmental horticulture industry either have been eliminated or are in danger of being eliminated. We request that additional funding be included in the NASS budget to ensure adequate funding for these surveys:

—Commercial Floriculture Crops Summary (annual survey);

—Chemical Use Survey; and

—Nursery Production Survey.

We also support additional funding so that the Census of Horticultural Specialties, a follow-on survey to the Census of Agriculture, can be conducted every 5 years. The Census of Horticultural Specialties is another survey of extremely high importance to our industry. It is our understanding that the Census of Horticultural Specialties has been planned by NASS, but there is concern that the President's budget request may force elimination of this critically important survey.

The importance of the statistical information provided by these NASS surveys to businesses cannot be overstated. Business owners in the environmental horticulture industry must be able to pivot quickly, and the information provided by the crop surveys helps them to decide upon crops that will be favorable investment opportunities. Particularly if pests or diseases strike, a business owner must be able to find information that will help determine other crops that might be substituted. These data not only help producers but also help retailers make sensible decisions in this regard. In short, these important surveys provide core data to businesses for their economic decisionmaking.

An interesting example of this is seen in the current marketplace, as the disease "Impatiens Downy Mildew" is seen increasingly in States across the United States. Impatiens walleriana, the common impatiens that are seen in landscapes, is obviously a mainstay crop of our industry, in some years accounting for over $174 million in farm gate sales across all 50 States. Yet the new disease is creating havoc in the markets, with consumers, garden centers and "big box stores" unwilling to buy impatiens for fear of losing them to this disease. Research is being conducted, through USDA and private funding, to try to determine the causes of this new disease and to help producers avoid it. However, until cures can be found, growers must switch to other, hopefully equally profitable, crops. The only place to find that kind of information—trends, current production, and potential marketability—is through the annual Floriculture Crops Survey. Because the survey was cut back several years ago to just 15 major States, the information is not perfect. But it is the best we can find, and it is essential to small and large businesses across America.

Specialty crops represent approximately one-half of U.S. cash crop receipts, and floriculture and nursery crops represent one-third of specialty crop value! These figures come from NASS' own statistics—and we continue to need those statistics to adequately represent our industry. Our crops must be considered as "core" to the NASS mission.

Our businesses are located not only in rural communities but also represent "urban agriculture" as they are located in every State and congressional district of the United States. The NASS survey data provide economic indicators which are of key importance to our industry, and to the economic health of those communities.

In addition, these data are used by other USDA programs—for research decisions by ARS and NIFA, by APHIS in determining pest eradication and prevention priorities and for allocation of its farm bill mandatory funding, and by every State department of agriculture. And, of course, those data are used by congressional decisionmakers. It is fundamental to good statistical surveys that they must be conducted broadly and impartially, protect proprietary information, and be accessible to all interested users. Private industry cannot provide this kind of industry-wide survey data.

Just as with any other segment of U.S. agriculture, the environmental horticulture industry cannot survive and continue to be an important contributor to our national economy without the statistical data provided by the NASS surveys, and we urge recognition, by continued appropriations, of their importance.

USDA—ANIMAL AND PLANT HEALTH INSPECTION SERVICE (USDA–APHIS)

APHIS is responsible for safeguarding U.S. agricultural and environmental plant resources from the serious risks posed by harmful invasive plant pests and noxious weeds. Increasing trade and travel have accelerated the movement of plant pests around the world, threatening the well-being and future potential of the thriving U.S. nursery and floral industry, and agriculture in general.

ANLA and SAF strongly support the President's budget request for APHIS. However, we note with concern that APHIS staffing has been reduced by more than 600 employees since fiscal year 2011 through attrition and only filling "critical" vacancies, and we urge that Congress provide adequate funding to APHIS so that this downturn can be stopped. APHIS's mission, to protect the health and value of U.S. agriculture and the environment, is among the most important missions of the Department of Agriculture, particularly in the face of increased globalization of trade. Working to prevent, or eradicate, serious and destructive pests and diseases from the United States is essential to our continued economic growth and success, but that can only be accomplished with adequate funding and staffing. We believe that additional resources are needed to support continued progress, including in the area of Specialty Crop Pests.

Thank you for the opportunity to present the nursery and floriculture industry's views regarding the U.S. Department of Agriculture's budget for the fiscal year 2014.

[This statement was submitted by Joseph Bischoff, Ph.D., Director of Government Relations, American Nursery & Landscape Association, and Lin Schmale, Senior Director, Government Relations, Society of American Florists.]

Prepared Statement of the American Society for Microbiology (ASM)

The American Society for Microbiology (ASM) is pleased to submit the following testimony on the fiscal year 2014 appropriation for the U.S. Food and Drug Administration (FDA). The ASM is the largest single life science organization in the world with more than 37,000 members.

The Nation's consumers spend nearly 25 cents of every dollar on products regulated by the FDA. FDA protects consumers by assuring the safety, efficacy and security of human and veterinary drugs, biological products, the food supply, and other consumer and health related products. The ASM urges increased funding for FDA to strengthen an agency burdened by too few resources needed to protect public health.

Under budget sequestration, FDA will lose $318 million from its fiscal year 2013 funding level, which will exacerbate difficult choices already facing the agency. The exact effects of sequestration are yet to be determined. However, possible outcomes include more than 1,000 fewer field inspectors, fewer overseas facilities visits, delays in product approvals, or greater numbers of foodborne illnesses. Since FDA is largely a service organization with most of its budget for salaries, training, and travel of its field personnel, cuts in funding are likely to have impacts on product safety. Decreasing FDA's budget will affect its ability to respond to market globalization and emergent pathogens.

FDA priorities outlined in its 2011–2015 strategic plan reflect the breadth of FDA's mission: advance regulatory science and innovation, strengthen the safety and integrity of the global supply chain, strengthen compliance and enforcement activities to support public health, expand efforts to meet the needs of special populations, and advance medical countermeasures. FDA's Center for Food Safety and Applied Nutrition (CFSAN) monitors all cosmetics and 80 percent of our food supply, regulating all food products except meat, poultry and egg products overseen by the Department of Agriculture (USDA). Other FDA units regulate drugs; medical devices; radiation-emitting products like medical imaging equipment; vaccines, blood and biologics; animal/veterinary products including pet food; and tobacco.

FDA scientists and their colleagues at the Centers for Disease Control and Prevention (CDC) investigated the microbial contamination of unopened vials of injectable solutions from a New England manufacturer, implicated in an outbreak of fungal meningitis that to date has killed 50 people and sickened 722 in 20 States.

Other recent FDA actions include recall of U.S. made pet treats due to potential salmonella contamination; and the closure of a peanut butter processing plant in New Mexico as the source of dozens of illnesses in 20 States (also salmonella-linked). In January, FDA approved the first trivalent influenza vaccine that will be produced using an insect virus expression system and recombinant DNA technology. Unlike current flu vaccines, the new one does not use eggs or the influenza virus in its production, in a process already FDA approved for certain vaccines against other infectious diseases.

In recent years, food imports have grown by an average of 10 percent each year; over 16 percent of all food products now consumed in the United States are produced elsewhere. More than 20 million import lines of food, devices, drugs, and cosmetics arrived at U.S. ports of entry in fiscal year 2010, over three times the number 10 years before. Nearly 80 percent of pharmaceutical ingredients are now made in other countries, further complicating consumer safety issues. FDA's Human Drugs Program not only evaluates all new drugs prior to entering the market, but also the quality of more than 10,000 currently marketed drugs. The Animal Drugs and Feeds Program regulates drugs, devices, and food additives that affect over 150 million companion animals and billions of poultry, cattle, swine, and other species in the United States. The public depends upon FDA's seven product and research centers, staffed by many of FDA's 12,000 employees, to evaluate and regulate the efficacy and quality of near limitless consumer products.

FDA FUNDING IMPROVES QUALITY, PROTECTS SAFETY OF THE U.S. FOOD SUPPLY

FDA is responsible for protecting and promoting public health, in part by ensuring that the Nation's food supply for human and animal consumption is safe, sanitary, wholesome, and properly labeled. Each year, the agency regulates $417 billion worth of domestic food and $49 billion of imported foods. In addition, FDA personnel oversee about 450,000 domestic and foreign facilities registered under the Public Health Security and Bioterrorism Preparedness and Response Act. According to the FDA, the agency expends more than 1,300 full-time staff years (FTEs) to fulfill annual duties in conducting food and feed inspection and investigational activities.

FDA's food related responsibilities include collecting and evaluating thousands of samples and shipments drawn from the voluminous U.S. food supply chain. The Food Safety Modernization Act (FSMA) of 2011 mandated even greater responsibility to FDA, the first major food safety law in over 70 years. FDA's performance in food safety has been criticized over the years, with inadequate funding often indicted as the underlying cause. Reports from the U.S. Government Accountability Office (GAO) and other watchdog agencies periodically recommend changes that necessitate increased FDA expenditures. Since 2007, Federal oversight of food safety has been on GAO's high-risk list of areas that need to be transformed for the public good, citing fragmentation caused by 15 agencies collectively administering at least 30 laws.

About one in every six people in this country get sick each year from food contaminated with microbial pathogens. Most of these 50 million-plus cases go unreported, but too many cause serious illness with nearly 130,000 hospitalized. salmonella alone causes $365 million in direct medical costs each year. FDA and its food safety partners like CDC have had successes like cutting E. coli O157 cases nearly in half since 1997. But foodborne illnesses remain significant threats to public health—in 2009–2010, CDC investigated 1,527 foodborne disease outbreaks, most due to norovirus or salmonella. Outbreaks and subsequent Federal enforcement exact both human costs and economic losses. USDA estimated that during the 2011 Listeria outbreak linked to cantaloupes, prices for cantaloupe dropped about 34 percent. The 2008 salmonella tomato-pepper outbreak forced about $145 million in losses to tomato growers and shippers in several States, according to industry representatives.

FDA faces daunting numbers of regulated food-production sites in the United States, with more than 171,500 FDA registered food facilities and 2 million farms. FDA inspection activities require the best available laboratory and computing tools. In addition to other responsibilities, FDA strives to advance research on food related technologies. For example, it has joined with CDC, the University of California, and Agilent Technologies to create a public database of 100,000 foodborne pathogen genomes to help speed identification of bacteria in foodborne outbreaks. The database will guide diagnostic test development that has potential to shorten outbreak investigation from weeks to days.

As part of its oversight activities, FDA inspects a targeted number of foreign facilities that process foods under its jurisdiction. The goal is to identify potential food safety problems before products enter the United States and to help make risk based decisions when imported foods reach U.S. ports. Last year, we imported goods worth nearly $2.3 trillion, a large portion as food. Imported food keeps increasing, as a percentage of all food consumed from about 9 percent in 2000 to over 16 percent today. Some food categories have higher percentages, for example, 60 percent of fruits and vegetables consumed in 2009 and 84 percent of seafood in 2011.

In 2011 FDA created the Office of Global Regulatory Operations and Policy to help address its growing global responsibilities. Like other FDA duties, regulating imported foods involves very large numbers that create logistical challenges. Today, there are more than 130,000 importers of record and about 300 U.S. ports of entry, handling products from about 278,300 FDA registered foreign food and feed facilities in countries worldwide. Import volumes have risen steadily since 1994, from fewer than 3 million lines up to an estimated 28.1 million lines in 2012. Yet FDA's inspector FTE numbers remained essentially unchanged. In fiscal year 2011, FDA inspected only about 0.4 percent of registered foreign food facilities. That year, FDA examined about 2.2 percent of all food entry lines and tested samples from less than 0.5 percent of all lines.

FDA FUNDING SUPPORTS ADVANCES IN REGULATORY SCIENCE

FDA's role in public health has been changing, pushed by evolving science and technology and an increasingly globalized world. In recent years, the agency has placed greater emphasis on its regulatory science, incorporating "embracing innovation" into its vision for a stronger FDA. Personnel must utilize the latest scientific knowledge to assess effectively the growing list of FDA regulated products. The diversity of these products and their end-users mandates that FDA stay current in its science and technology capabilities, as these examples from the past year illustrate:

—Proposed two new FSMA rules, requiring food manufacturers to submit food safety plans to FDA and enforcing safety standards for farms growing fresh fruits and vegetables; proposed in January, these rules are still open for public comment.
—Approved the first nucleic acid test that can simultaneously identify 12 different bacterial types known to cause bloodstream infections, including Staphylococcus (including methicillin-resistant MRSA), Streptococcus, Enterococcus (including vancomycin-resistant VRE), and Listeria. Results are available within a few hours after initial bacterial growth, versus traditional methods that might require 2 to 4 days.
—Approved a combination vaccine for infants and children ages 6 weeks through 18 months, preventing disease caused by Neisseria meningitidis serogroups C and Y and Haemophilus influenzae type b.
—Issued two draft guidance's regarding nanotechnology in the food and cosmetics industries, outlining FDA safety assessments of its use in cosmetic products and food processing.

The FDA must access the most advanced scientific knowledge, to support both regulatory activities and public health education of the public. Congress has demonstrated strong support for FDA in the past, evidenced by the recent bipartisan approval of the FDA Safety and Innovation Act to bring drugs and devices to market more quickly and encourage innovation in the biomedical industry.

The ASM strongly urges Congress to increase the fiscal year 2014 budget for the FDA which is so critical the Nation's public health.

[This statement was submitted by the Office of Public Affairs, American Society for Microbiology.]

PREPARED STATEMENT OF THE AMERICAN SOCIETY FOR MICROBIOLOGY (ASM)

The American Society for Microbiology (ASM) is pleased to submit the following testimony on the fiscal year 2014 appropriation for food safety and science programs at the U.S. Department of Agriculture (USDA). The ASM is the largest single life science organization in the world with more than 37,000 members.

USDA's food safety and science programs ensure the quality and quantity of the U.S. food supply, as well as safeguard plant and animal health. Both the Nation's public health and its economic well-being are rooted in agriculture. USDA estimates that the agricultural sector accounts for 1 in 12 jobs in the country and U.S. agricultural exports consistently exceed imports. In fiscal year 2012, agriculture exports were valued at nearly $136 billion, and U.S. production continues to expand through innovation and technology.

There are few aspects of life as basic as adequate, wholesome food. The actual outcomes of USDA's mandated cuts are still unknown, but clearly the USDA food safety and research activities are essential, and should not be jeopardized.

Agriculture is challenged by food demand for the growing global population, climate variability, food safety threats, demands for bioenergy and emerging plant and animal diseases. These challenges have grown increasingly dependent on cutting edge science and technology. Last year, the President's Council of Advisors on Science and Technology (PCAST) evaluated the future of the entire U.S. research enterprise, reinforcing the importance of robust research and development (R&D) and applauded the tradition of agriculture research and education initiated by the 1862 Morrill Act that created land grant colleges. For over a century, federally funded basic and applied research has helped transform U.S. agriculture into a production powerhouse that feeds not only our Nation but also those who import our agriculture products. The report also points to agriculture research and the USDA's own laboratories, source of new products, jobs, and industries, as exemplifying the practical benefits and importance of fundamental research.

PCAST released another report in December focused on agricultural preparedness and the agriculture research enterprise. The report concluded that "our Nation's agricultural research enterprise is not prepared to meet the challenges that U.S. agriculture faces in the 21st century." Agriculture research is a wise investment in the future, generating at least $10 in benefits for every dollar invested. Unfortunately, Federal funding of agriculture research has stagnated at roughly the same level for the past 30 years. The PCAST report also warned that "looking to the future, U.S. agriculture must continue to be the backbone for the emerging U.S. bioeconomy, helping the Nation meet its need for sustainable sources of energy and materials, and simultaneously contributing to the prosperity of rural communities. A vibrant U.S. agriculture enterprise is paramount to the future well-being of the Nation."

USDA RESEARCH PROMOTES AGRICULTURE PRODUCTION AND PROTECTS PUBLIC HEALTH

Solving large scale problems like keeping contaminated food out of the U.S. farm-to-table supply system requires a long term mindset and adequate and consistent Federal funding. The ASM has consistently advocated for stronger USDA science funding. It seems prudent to protect the Nation's $157 billion agriculture, fishing and forestry industries with solid science and research. We are especially concerned that the current fiscal uncertainties might financially degrade the USDA's microbiology related projects, which range from food safety and bioenergy production to plant and animal diseases. Over the past year, these projects resulted in the first broad spectrum bacterial-toxin insecticide in 50 years and the genetic sequencing of citrus rootstock with resistance to major citrus diseases. These are just two examples of new USDA funded tools that boost domestic agriculture productivity.

The USDA is the largest Federal supporter of agriculture R&D by both university and Government researchers. In 2009, the USDA funded more than half of the total agriculture R&D at U.S. universities and awarded $1.4 billion through its extramural programs. The USDA's National Institute of Food and Agriculture (NIFA) distributes grants to colleges and universities for research, extension and education activities. The agriculture focused PCAST report recommended the "creation of a new innovation ecosystem for agriculture" with greater Federal investment in agricultural research and an additional $700 million annually. Such an investment would, among other initiatives, increase the USDA's support for competitive extramural grants from $264 million to $500 million per year and appropriate $150 million annually for at least 5 years to create six multidisciplinary innovation institutes. In light of the current fiscal environment, ASM urges Congress to fund AFRI with at least $325 million in fiscal year 2014, the same amount as the administrations fiscal year 2013 request, and supported by agricultural sciences coalitions.

The Agriculture and Food Research Initiative (AFRI), the premier competitive grants program for fundamental and applied research, extension and education in support of agriculture and food research, was created in 2008 in response to public requests for an increase in scientifically rigorous agriculture research programs. Administered by the National Institute of Food and Agriculture (NIFA), AFRI has been authorized at $700 million annually since 2008, but in fiscal year 2012 only received $264 million while research proposals exceeded $4 billion.

USDA intramural funds are allocated primarily among the Agricultural Research Service (ARS), Economic Research Service (ERS) and Forest Service. Created in 1953 as USDA's principal scientific research entity, ARS is a cornerstone of the agency's Research, Education, and Economics mission area. More than 8,000 ARS employees, including 2,000 full time scientists, conduct research at more than 100 laboratories in the United States and several other countries. The ARS Strategic Plan for fiscal years 2012 through 2017 comprised multiple action plans focused on USDA's agency wide research priorities, which currently include: global food security, food safety, human nutrition, climate change and bioenergy.

USDA funded researchers regularly make discoveries that strengthen U.S. agriculture through innovation. Recent microbiology related examples show the diversity of USDA research and add value to a major sector of the U.S. economy:

—ARS microbiologists are refining liquid culture fermentation methodology to increase laboratory yields of insect-killing fungi, for potential large-scale production as biopesticides. Less expensive than current practices, the new method also is more amenable to cultivating a wider range of the fungi which penetrate insect pests and kill them within days.

—ARS scientists are developing rapid diagnostic tests for West Nile fever and Rift Valley fever using surface enhanced Raman scattering (SERS) technology. The assays will eventually be adapted as field testing tools to aid veterinarians on site. The new technology is more sensitive and detects more pathogens then currently available field tests.

—Last fall, NIFA contributed to the 12 new grants awarded through the joint National Science Foundation-National Institutes of Health program called Ecology and Evolution of Infectious Diseases (EEID). They include university studies on ocean ecology's impacts on infectious marine disease and studies on the emergence of babesiosis in the United States.

—ARS microbiologists discovered that bacterial contamination in poultry cages can be eliminated by treating washed cages for 15 minutes with heated forced air, preventing cross contamination between infected and healthy birds. Any decrease in contamination has considerable public health and economic benefits. Salmonella contaminated eggs and poultry are a leading cause of illness in the United States, and the U.S. poultry industry is the world's largest producer with the total farm value of poultry producing in excess of $20 billion per year.

USDA FUNDING ENSURES FOOD SAFETY AND SECURITY

Our food supply systems are uniquely complex, immense in volume, diversity and monetary value. USDA's Food Safety and Inspection Service (FSIS) enforces Federal standards for domestic and imported meats, poultry and processed egg products to ensure that they are safe, wholesome, properly labeled and packaged. More than 8,000 FSIS employees inspect food and methods at more than 6,000 registered food related facilities. The amount of food to inspect far exceeds FSIS's resources to physically inspect and sample. U.S. producers raise about 35 million heads of livestock and over 2 billion poultry annually. U.S. beef consumption exceeds 25 billion pounds annually while poultry meat production is more than 43 billion pounds per year. USDA inspections, regulatory actions and industry guidelines must be supported by the best available science based testing and assessment tools, many of which are developed by USDA funded researchers. Funding for USDA science and food safety programs builds technical expertise throughout the agency benefiting the public. An example is NIFA's recent award of nearly $15 million for 17 extramural research projects to protect food from microbial and chemical contamination, with a primary focus of controlling and preventing Salmonella and Campylobacter in poultry flocks and poultry products.

The ASM encourages Congress to increase the fiscal year 2014 budget to the highest amount possible in support of USDA's science, research and food safety programs. USDA funded research is critical to the health of our Nation's food and agriculture industries as well as the global economy. USDA science protects human and animal health, prevents crop losses from disease and climate changes, seeks best practices to preserve the environment, encourages innovation in valuable agriculture based products and supports new generations of agriculture scientists and educators.

[This statement was submitted by the Public and Scientific Affairs Board, American Society for Microbiology.]

PREPARED STATEMENT OF THE AMERICAN SOCIETY FOR NUTRITION (ASN)

Dear Chairman Pryor and Ranking Member Blunt: The American Society for Nutrition (ASN) respectfully requests that the U.S. Department of Agriculture (USDA)/National Institute of Food and Agriculture/Agriculture and Food Research Initiative receive $325 million and that the Agricultural Research Service receive $1.2 billion in fiscal year 2014. ASN has nearly 5,000 members working throughout academia, clinical practice, Government, and industry, who conduct research to advance our knowledge and application of nutrition.

AGRICULTURE AND FOOD RESEARCH INITIATIVE

The USDA has been the lead nutrition agency and the most important Federal agency influencing U.S. dietary intake and food patterns for years. Agricultural research is essential to address the ever-increasing demand for a healthy, affordable, nutritious and sustainable food supply. The Agriculture and Food Research Initiative (AFRI) competitive grants program is charged with funding research, education, and extension grants and integrated research, extension, and education grants that address key problems of national, regional, and multi-state importance in sustaining all components of agriculture. These components include human nutrition, farm efficiency and profitability, ranching, renewable energy, forestry (both urban and agro forestry), aquaculture, food safety, biotechnology, and conventional breeding. AFRI has funded cutting-edge, agricultural research on key issues of timely importance on a competitive, peer-reviewed basis since its establishment in the 2008 farm bill. Adequate funding for agricultural research is critical to provide a safe and nutritious food supply for the world population, to preserve the competitive position of U.S. agriculture in the global marketplace, and to provide jobs and revenue crucial to support the U.S. economy. In order to achieve those benefits, AFRI must be able to advance fundamental sciences in support of agriculture and coordinate opportunities to build off of these discoveries. Therefore, ASN requests that the AFRI competitive grants program receive $325 million in fiscal year 2014. ASN also strongly supports funding AFRI at the fully authorized level of $700 million as soon as practical. Current flat and decreased funding for AFRI hinders scientific advances that support agricultural funding and research.

AGRICULTURAL RESEARCH SERVICE

The Agricultural Research Service (ARS) is the Department of Agriculture's lead scientific research agency. The ARS conducts research to develop and transfer solutions to agricultural problems of high national priority. USDA's program of human nutrition research is housed in six Human Nutrition Research Centers (HNRCs) across the Nation, that link producer and consumer interests and form the core for building knowledge about food and nutrition. HNRCs conduct unparalleled human nutrition research on the role of food and dietary components in human health from conception to advanced old age, and they provide authoritative, peer-reviewed, science-based evidence that forms the basis of our Federal nutrition policy and programs. Funding for ARS supports all of the USDA/HNRCs and ensures that these research facilities have adequate funding to continue their unique mission of improving the health of Americans through cutting-edge food, nutrition and agricultural research.

Nutrition monitoring conducted in partnership by the USDA/ARS with the Department of Health and Human Services (HHS) is a unique and critically important surveillance function in which dietary intake, nutritional status, and health status are evaluated in a rigorous and standardized manner. (ARS is responsible for food and nutrient databases and the "What We Eat in America" dietary survey, while HHS is responsible for tracking nutritional status and health parameters.) Nutrition monitoring is an inherently governmental function and findings are essential for multiple Government agencies, as well as the public and private sector. Nutrition monitoring is essential to track what Americans are eating, inform nutrition and dietary guidance policy, evaluate the effectiveness and efficiency of nutrition assistance programs, and study nutrition-related disease outcomes. Because of past funding deficiencies, some food composition database entries don't reflect the current food supply, which may negatively impact programs and policies based on this information. It is imperative that needed funds to update USDA's food and nutrient databases and the "What We Eat in America" dietary survey, both maintained by the USDA/ARS, are appropriated to ensure the continuation of this critical surveillance of the Nation's nutritional status and the many benefits it provides.

It is the job of ARS to ensure high-quality, safe food, and other agricultural products; assess the nutritional needs of Americans; sustain a competitive agricultural economy; enhance the natural resource base and the environment; and provide economic opportunities for rural citizens, communities, and society as a whole. Therefore, ASN requests that ARS receive $1.2 billion in fiscal year 2014. At least $10 million above current funding levels is necessary to ensure that the critical surveillance of the Nation's nutritional status and the many other benefits ARS provides continue. With such funding, the ARS will be able to continue its vision of leading America toward a better future through agricultural research and information.

Thank you for the opportunity to submit testimony regarding fiscal year 2014 appropriations for the U.S. Department of Agriculture/National Institute of Food and Agriculture/AFRI competitive grants program and Agricultural Research Service.

[This statement was submitted by Teresa A. Davis, Ph.D., 2012–2013 President, American Society for Nutrition; Professor of Pediatrics, USDA/ARS Children's Nutrition Research Center, Baylor College of Medicine.]

PREPARED STATEMENT OF THE AMERICAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS (ASPCA)

On behalf of the American Society for the Prevention of Cruelty to Animals (ASPCA) and our 2.5 million supporters nationwide, thank you for the opportunity to submit this written testimony. Founded in 1866, the ASPCA was the first humane organization in North America. Our mission, as stated by founder Henry

Bergh, is "to provide effective means for the prevention of cruelty to animals throughout the United States." As you craft the fiscal year 2014 appropriations bill, the ASPCA asks that you please consider the following provisions.

REINSTATEMENT OF THE BAN ON FEDERAL FUNDING FOR HORSE SLAUGHTERHOUSE INSPECTIONS

A provision barring Federal funding for USDA inspections at domestic horse slaughter plants was first added as an amendment to the Agriculture Appropriations bill in 2005. Supported by strong, bipartisan votes in both the House and Senate, each successive appropriations bill included the provision until it was omitted in fiscal year 2012—the funding bill successive continuing resolutions have been based upon. The President's fiscal year 2014 budget specifically includes this language, and the ASPCA urges the committee to retain the language in its fiscal year 2014 appropriations bill.

Including the ban on funding for horse slaughter inspections is now more important than ever. Even though Americans do not eat horse meat, and national polling indicates 80 percent of Americans oppose the slaughter of horses for human consumption, the USDA is moving forward to approve the application for horse meat inspections at a facility in New Mexico. Cruelties associated with horse slaughter are well-documented. Whether in the United States or over the border, horses are trucked long distances without food, water, or rest. Many horses, including pregnant mares, are injured, trampled, and even killed on the cramped trucks during trips lasting more than 24 hours.

Horses that survive their transport then endure a cruel slaughter process that cannot be made humane. Although the formerly operating domestic plants were regulated by USDA, the slaughter of these horses was anything but humane. As extreme flight animals, horses are fractious by nature and ill-suited for captive bolt stunning. Many horses endured repeated blows and sometimes remained conscious during their dismemberment. USDA's own photos show horses at the plants with broken bones protruding from their bodies, eyeballs hanging by a thread of skin, and severe open wounds, all effects of the cruel nature of the horse slaughter process.

American horses are not raised for food so they are routinely given numerous drugs throughout their lives that are prohibited by the FDA for use in animals intended for human consumption. A 2010 Food and Chemical Toxicology Journal article detailed the ubiquitous nature of phenylbutazone, a drug banned for use in any animal for human consumption, in race horses subsequently sent to auction and slaughter within days of medication.[1] A recent New York Times exposé emphasized a virtual arms race of illegal and harmful drugs in races horses including the use of "cobra venom, Viagra, blood doping agents, stimulants, and cancer drugs" and the resulting food safety threats.[2] It is impossible for the Food Safety and Inspection Service (FSIS) to test for these substances when horses have no tracking system to indicate their health histories and trainers constantly experiment with new and unknown stimulants to gain a competitive edge on the track.

The shocking discovery of horse meat in European beef products demonstrates the threats to American health and consumer confidence that could affect domestic meat production if this grisly practice returns to the United States. As a result of the EU situation, frozen burger sales in the United Kingdom dropped by 43 percent in the month following the discovery of horse meat, packaged meat sales declined 30 percent in Italy, and sales of frozen-meat dishes in France dropped by 30 percent.[3] [4] [5] When the USDA was asked if such a scandal could happen here, their only reassurance was that horses are not slaughtered in the United States.[6]

The committee has the opportunity to protect the welfare of our country's horses and maintain the integrity of the American food supply by barring funding for horse meat inspections.

The ASPCA requests that the committee support the President's budget request to make the fiscally responsible and humane decision to reinstate the ban on Fed-

[1] "Association of Phenylbutazone Usage With Horses Bought for Slaughter: A Public Health Risk." Food and Chemical Toxicology: May 2010.

[2] "Death and Disarray at America's Racetracks." The New York Times: March 24, 2012.

[3] "Frozen Burger Sales Plummet In UK After Horse Meat Controversy, Report Says." The Huffington Post: February 27, 2013

[4] "Package Meats Down 30 percent in Italy Amid Horsemeat Fears." RTT News: March 7, 2013.

[5] "Frozen Dishes Sales Collapse in France, Seen Lasting." Reuters: March 4, 2013.

[6] http://abcnews.go.com/Health/european-horse-meat-scandal-happen-us/story?id=18506026&page=1.

eral funding for horse slaughterhouse inspections. We request the committee retain the following language from the President's budget:

"None of the funds made available in this Act may be used to pay the salaries or expenses of personnel to—

"(1) inspect horses under section 3 of the Federal Meat Inspection Act (21 U.S.C. 603);

"(2) inspect horses under section 903 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 1901 note; Public Law 104–127); or

"(3) implement or enforce section 352.19 of title 9, Code of Federal Regulations.".

INCREASE AWA ENFORCEMENT FUNDING FOR THE INSPECTION OF PUPPY MILLS

One of the functions of the USDA's Animal and Plant Health Inspection Service (APHIS) is to ensure the humane care and treatment of animals by enforcing the requirements of the Animal Welfare Act of 1966 (AWA). Included in this mandate is the inspection of large-scale commercial dog breeding operations. Dogs raised in substandard facilities, commonly known as puppy mills, spend their entire lives in small, crowded cages without adequate veterinary care, food, water, and socialization. These dogs receive no exercise or basic grooming. To minimize waste cleanup, dogs are often kept in cages with wire flooring that injures their paws and legs. Because these cages are often stacked and proper sanitation requirements are not followed, waste falls through the wire floors onto the animals housed below. Female dogs usually have little to no recovery time between bearing litters. When, after a few years, they can no longer reproduce, the dogs are often abandoned or killed. Although the AWA provides very minimal standards which should be improved, those operations not in compliance need to be properly held accountable.

In 2010, the USDA's Office of the Inspector General (OIG) released a report detailing the lax and ineffective enforcement of the AWA for puppy mills. In 2011, the House Appropriations Committee, recognizing the importance of inspecting "problematic dog dealers," repurposed $4 million for puppy mill inspection enforcement. The same OIG report recommended closing a loophole in the AWA that currently exempts from regulation breeders selling directly to customers over the Internet. The USDA is now finalizing regulations that would close that loophole, thereby increasing the number of entities regulated and inspected under the AWA. This rule will likely be final later this year and will require increased funding for pre-licensing inspections of these new entities as well as for continued inspections of these breeding facilities once licensed.

The President's fiscal year 2014 budget request includes $29 million for Animal Welfare, which is $1 million above the current continuing resolution funding level. The President's budget notes that APHIS is requesting increased funding to enforce the impending rule. Echoing the President's budget request, we encourage the committee to continue the trend of prioritizing AWA enforcement with increased funding levels. The ASPCA requests that the committee increase the current funding for APHIS's Animal Welfare Act enforcement by retaining the President's budget request of $29 million for Animal Welfare.

EXCEED THE STATUTORY FUNDING CAP FOR HORSE SORING ENFORCEMENT

APHIS is charged with protecting horses through its enforcement of the Horse Protection Act (HPA) of 1970. USDA inspectors conduct inspections at walking horse shows to examine horses for soring and harmful and illegal chemicals. Horse soring is a cruel practice in which caustic chemicals and foreign objects are used to cause agony to a horse's front legs. Any contact with the ground makes horses quickly jerk up their legs, producing the pronounced gait prized by the walking horse industry. Since the passage of the HPA in 1970, effective USDA enforcement of horse soring has been frustrated by a $500,000 statutory funding cap on activities under the authority of HPA.

In most cases, the cruelty of horse soring goes unnoticed because USDA officials do not have the resources to oversee most shows. In 2011, USDA inspectors had the resources to attend just 62 of approximately 700 walking horse shows nationwide. Other shows were overseen solely by inspectors trained and hired by the horse industry itself. Although present at only 8–10 percent of shows, USDA inspectors found over 50 percent of reported violations in 2011. One of the defendants in a recent criminal horse soring case testified that "every Walking Horse that enters into a show ring is sored . . . They've got to be sored to walk."[7] Clearly the problem is endemic and industry self-regulation is not effectively exposing violators. A greater USDA presence is necessary to further root out the bad actors and hold them accountable.

Congress can choose to ignore the HPA's statutory cap and fund the program at higher levels, something the committee chose to do for fiscal year 2013 by requesting HPA enforcement at $891,000. The President's budget request recommends $893,000 for HPA enforcement. The ASPCA requests that the committee retain the President's budget request and continue to exceed the statutory funding cap to allow the USDA to properly enforce the Horse Protection Act.

DEFUND WILDLIFE SERVICES' LETHAL PREDATOR CONTROL

Wildlife Services (WS) is a little-known Federal agency that uses tax dollars to kill hundreds of thousands of animals considered by private landowners and ranchers to be problematic or nuisances. Unattended traps and poisons—and even helicopter shooting—are all routine features of WS's campaign to kill wildlife. Cases of allowing packs of dogs to kill wildlife left in traps have emerged in the public eye recently, further igniting public interest and concern about the use of tax dollars for such unnecessary and blatant cruelty.[8] Their ineffective work is carried out without oversight, fiscal accountability, or public notification. In some cases, WS traps and poisons have killed beloved family pets.

The WS lethal predator control program is a waste of taxpayer dollars. Not only does WS provide a subsidized service for private landowners, but also its indiscriminate and random targeting of predators is not based on sound science. Ranchers have no incentive to use more efficient nonlethal methods if the Federal Government continues to subsidize for lethal controls. The USDA estimates that it spends $13 million on its lethal predator control program. The ASPCA requests that the committee act in a fiscally sound and humane manner and reduce funding for Wildlife Services Damage Management by $13 million.

[This statement was submitted by Nancy Perry, Senior Vice President, Government Relations, ASPCA.]

PREPARED STATEMENT OF THE AMERICAN SOCIETY OF CLINICAL ONCOLOGY (ASCO)

The American Society of Clinical Oncology (ASCO), the world's leading professional organization representing more than 30,000 physicians and other professionals who treat people with cancer, urges the subcommittee to provide a strong investment in the Food and Drug Administration (FDA) for fiscal year 2014. ASCO joins the community in respectfully requesting $2.6 billion in fiscal year 2014 budget authority for the FDA. A strong FDA is vital to ensuring access to high quality cancer care and life-saving treatments.

The FDA has broad and significant responsibilities. It oversees roughly 25 percent of all consumer spending in the United States, including 100 percent of drugs, vaccines, medical supplies, and personal care products and 80 percent of our Nation's food supply. For cancer patients, the FDA ensures that chemotherapy drugs are safe and available while shepherding safe and effective ground-breaking treatments to market with the appropriate risk-benefit analysis. In 2012, FDA issued final regulations that establish standards for testing the effectiveness and requiring accurate labeling of sunscreen products that are key to cancer prevention. The FDA also regulates the in vitro diagnostic tests that are necessary to optimally deliver a new generation of highly targeted cancer drugs.

FDA already performs its work with relatively few resources, yet its responsibilities grow each year. Due to globalization, many of the FDA-regulated products that were made in the United States are now produced overseas. Drug importation is growing at about 13 percent annually. Approximately 80 percent of active pharmaceutical ingredients and 40 percent of finished drugs are now manufactured abroad. The FDA is responsible for monitoring the quality of the raw materials and finished products that result from the complex global system. This responsibility alone is enormously resource intensive.

Yet Congress continues to ask the agency to do more. Since 2009, Congress has assigned the FDA with many new and additional responsibilities through the Family Smoking Prevention and Tobacco Control Act (2009), the Biologics Price Competi-

[7] "Trainer Says Horse Soring Widespread." Chattanooga Free Press: February 28, 2012.
[8] "Animal Torture, Abuse Called a 'Regular Practice' Within Federal Wildlife Agency." Foxnews.com: March 12, 2013.

tion and Innovation Act (2010), the Secure and Responsible Drug Disposal Act (2010), the Combat Methamphetamine Enhancement Act (2010), the Food Safety Modernization Act (2011), and the FDA Safety and Innovation Act, or FDASIA (2012).

Congress passed FDASIA in 2012, reauthorizing the Prescription Drug User Fee Act of 1992. Congress also re-authorized the Best Pharmaceuticals for Children Act and the Pediatric Research Equity Act. These laws expanded the FDA's regulatory responsibilities and mandated an increased level of coordination among the various stakeholders in the drug manufacturing and utilization system. Congress currently is considering a number of new FDA-related proposals, covering topics such as regulation of medical mobile apps, bio-security, track and trace of drug products, and the quality of compounded drugs.

As the scientific complexity of foods, drugs and other products we consume grows, so do FDA's responsibilities. This is particularly true in the field of oncology. As we understand more about the diseases known as cancer on a molecular level, we are able to develop targeted therapies that can produce long term remissions for many cancer patients. Cancer patients rely on the ongoing efforts of the FDA to grant timely approval of innovative, new medicines, some with companion diagnostics, for patients with important unmet medical needs while maintaining high standards for safety and efficacy.

THE VITAL ROLE OF FDA IN CANCER DRUG DEVELOPMENT

There are 12 million cancer survivors alive in the United States today and this number is growing in no small part because of the new treatments FDA approves. ASCO has been particularly appreciative of and impressed by the work of the Office of Hematology and Oncology Products (OHOP) led by Dr. Richard Pazdur. OHOP is responsible for making safe and effective drugs for cancer and hematologic conditions available to the American public. OHOP oversees review, approval, and regulation of drug treatments for cancer, therapeutic biologic treatments for cancer, therapies for prevention of cancer, and products for treatment of nonmalignant hematologic conditions.

OHOP had the highest number of new drug approvals of any therapeutic category in 2012 while operating at a funding level that did not reflect a higher workload relative to other offices. OHOP is committed to facilitating rapid development, review, and action on promising new cancer therapies. Scientists within OHOP are working intensively on incorporating innovations in pharmacogenomics, bioinformatics, and clinical trial design into the drug review process. These efforts provide the basis for accelerating introduction of new treatments for cancer into practice. ASCO applauds the work of OHOP's 130 highly trained and dedicated employees. ASCO is concerned, however, about the ability of the FDA in general and the OHOP specifically to continue to expand the scope and quality of their work with shrinking resources. This is not an area in which Congress can afford to cut corners; lives are on the line in this endeavor.

THE VITAL ROLE OF FDA IN PREVENTING AND MITIGATING CANCER DRUG SHORTAGES

Like many specialties, oncology has faced a recent crisis of life-saving therapeutics not being available because of drug shortages. ASCO has worked closely with the FDA's Office of Drug Shortages to deal with these crises and to help cancer patients get access to the drugs they so vitally need. This small office has been particularly overburdened by the increasing number of drugs that have been unavailable in the last 2 to 3 years. In part because of their determined efforts, we have seen new shortages decrease from the highs reached in 2011. Despite improvement, existing shortages remain unresolved and the problem is far from being solved. The FDA needs sufficient resources to continue to address drug shortages.

THE NEED TO FUND AN ALREADY OVERBURDENED AGENCY

The FDA is consistently asked to do more with less. Sequestration is the immediate threat to the FDA's already-inadequate funding. Under sequestration, the agency is losing 5.1 percent of its current year budget. Worse still, the Office of Management and Budget has testified that the actual impact is closer to 9 percent. This is a cut of approximately $209 million.

This cut comes at a time when the FDA is implementing a new Breakthrough Therapy designation to expedite development and review of promising new therapies. Early evidence must demonstrate that these treatments may have substantial improvement over available therapy. The designation involves earlier and more frequent interactions with FDA staff. In the first quarter of 2013 alone, the FDA received 24 requests for the designation and granted 8—many for new cancer treatments. The FDA is also working closely with the scientific community to evaluate new surrogate endpoints to enable accelerated approval of cancer therapies.

ASCO is concerned that sequestration could cause slower approval of new and potentially lifesaving drugs, a decreased ability to monitor food and drug safety, and an inability to keep up with advancing science and technology.

ASCO urges the subcommittee to provide a strong investment in the FDA for fiscal year 2014 to help the agency fulfill its critical public health mission.

[This statement was submitted by Sandra M. Swain, MD, FACP, President, American Society of Clinical Oncology.]

PREPARED STATEMENT OF THE AMERICAN SOCIETY OF PLANT BIOLOGISTS (ASPB)

On behalf of the American Society of Plant Biologists (ASPB), we submit this statement for the official record in support of funding for agricultural research at the U.S. Department of Agriculture (USDA). ASPB supports the President's request of $383.376 million for USDA's Agriculture and Food Research Initiative (AFRI) as well as $1.279 billion for the Agricultural Research Service (ARS).

This testimony highlights the critical importance of plant biology research and development, as the Nation seeks to address vital issues including: achieving a sustainable food supply and food security; energy security, including attaining reduced reliance on all petrochemical products through game-changing sustainable renewable biomass utilization approaches; and in protecting our environment.

FOOD, FUEL, ENVIRONMENT, AND HEALTH: PLANT BIOLOGY RESEARCH AND AMERICA'S COMPETITIVENESS AND SELF-SUFFICIENCY

We often take plants for granted, but they are vital to our very existence, competitiveness, and self-sufficiency. New plant biology research is now addressing the most compelling issues facing our society, including: identifying creative and imaginative approaches to reaching Congress' goals of achieving domestic fuel security/self-sufficiency; environmental stewardship; sustainable and secure development of even better foods, feeds, building materials, and a host of other plant products used in daily life; and improvements in the health and nutrition of all Americans.

Our bioeconomy and Federal partnership is based upon foundational plant biology research—the strategic research USDA funds—to make needed key discoveries. Yet limited funding committed to fundamental discovery now threatens our national security and leadership. Indeed, in his 2012 annual letter to the Gates Foundation, Bill Gates wrote, "Given the central role that food plays in human welfare and national stability, it is shocking—not to mention short-sighted and potentially dangerous—how little money is spent on agricultural research." [1] This is especially true considering the significant positive impact crop and forest plants have on the Nation's economy (the agricultural sector is responsible for 1 in 12 American jobs [2]).

Given these concerns and our Nation's fiscal situation, the plant science community has been working toward addressing our Nation's looming challenges—ASPB organized a two-phase Plant Science Research Summit (held in September 2011 and January 2013). With funding from USDA, the National Science Foundation, the Department of Energy, and the Howard Hughes Medical Institute, the Summit brought together representatives from across the full spectrum of plant science research in order to develop a 10-year consensus plan to fill critical gaps in our understanding of plant biology and address the grand challenges we face.

ASPB expects to publish a report from the Plant Science Research Summit in spring 2013, which we will share with USDA leadership so the USDA mission can best be served to enhance our well being over the long term. This report will further detail the plant science community's priorities and the key initiatives needed to address our grand challenges.

IMMEDIATE RECOMMENDATIONS

The ASPB membership has extensive expertise and participation in the academic, industry, and Government sectors. Consequently, ASPB is in an excellent position to articulate the Nation's plant science priorities and standards needed as they relate to agriculture. Our recommendations are as follows:

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[1] Gates, Bill. (Jan 2012). 2012 Annual Letter from Bill Gates. Retrieved from http://www.gatesfoundation.org/annual-letter/2012/Pages/home-en.aspx.

[2] Vilsack, Tom. (Mar. 9, 2012). Public Comments Before PCAST. Retrieved from http://www.tvworldwide.com/events/pcast/120309/globe__show/default__go__archive.cfm?gsid=1977&type=flv&test.

—Since the establishment of the National Institute of Food and Agriculture (NIFA) and AFRI, interest in USDA research has increased dramatically—a trend ASPB hopes to see continue in the future. However, an increased, strategic and focused investment in competitive funding and its oversight is needed if the Nation is to continue to make ground-breaking discoveries and accelerate progress toward resolving urgent national priorities and societal needs. ASPB encourages the committee to support a funding level of $383.376 million in fiscal year 2014 for AFRI, which, although falls far short of the authorized level of $700 million, would provide sound investment in today's fiscal environment.

—The Agricultural Research Service (ARS) provides vital strategic research to serve USDA's mission and objectives and as well as the Nation's agricultural sector. The need to bolster and enhance ARS efforts to leverage and complement AFRI is great given the challenges in food and energy security. ASPB is supportive the President's request of $1.279 billion for ARS in fiscal year 2014.

—USDA has focused attention in several key priority areas, including childhood obesity, climate change, global food security, food safety, and sustainable bioenergy. Although ASPB appreciates the value of such strategic focus, we give our most robust support for AFRI's Foundational Program. This program provides a basis for outcomes across a wide spectrum, often leading to groundbreaking developments that cannot be anticipated in advance. Indeed, it is these discoveries that are the true engine of success for our bioeconomy.

—Current estimates predict a significant shortfall in the needed agricultural scientific workforce as the demographics of the U.S. workforce change.[3] For example, there is a clear need for additional training of scientists in the areas of interdisciplinary energy research and plant breeding. ASPB applauds the creation of the NIFA Fellows program and calls for additional funding for specific programs (e.g., training grants and fellowships) to provide this needed workforce over the next 10 years and to adequately prepare these individuals for careers in the agricultural research of the future.

—Considerable research interest is now focused on the use of plant biomass for energy production. However, if we are to use crops and forest resources to their full potential, we must expend extensive effort to improve our understanding of their underlying biology and development, their agronomic performance, and their subsequent processing to meet our goals and aspirations. Therefore, ASPB calls for additional funding targeted at efforts to increase the utility and agronomic performance of bioenergy crops using the best and most imaginative science and technologies possible.

—With NIFA, USDA is in a strong position to cultivate and expand interagency relationships, as well as relationships with private philanthropies, to address grand challenges related to food, renewable energy and bioproducts, the environment, and health. ASPB appreciates the need to focus resources in key priority areas. However, ASPB urges a significant increase in funding to individual grantees, in addition to putting in place robust evaluations of group awards and larger multi-institutional partnerships. Paradigm-shifting discoveries cannot be predicted through collaborative efforts alone; thus there is an urgent need to maintain a broad, diverse, and robust research agenda.

—ASPB encourages some flexibility within NIFA's budget to update and improve its data management capabilities.

Thank you for your consideration of our testimony on behalf of the American Society of Plant Biologists. For more information about the American Society of Plant Biologists, please see www.aspb.org.

[This statement was submitted by Dr. Crispin Taylor, Executive Director, American Society of Plant Biologists.]

Prepared Statement of the Animal Welfare Institute (AWI)

Thank you for the opportunity to submit testimony as you consider fiscal year 2014 funding priorities. Our testimony addresses programs and activities administered by the U.S. Department of Agriculture's (USDA) Animal and Plant Health Inspection Service (APHIS), including the Animal Care/Animal Welfare program, Wildlife Services (WS) program, and Investigative and Enforcement Services (IES).

[3] President's Council of Advisors on Science and Technology. (Dec. 2012). *Report to the President on Agricultural Preparedness and the Agricultural Research Enterprise*, p. 41. Retrieved from http://www.whitehouse.gov/sites/default/files/microsites/ostp/pcast__agriculture__20121207.pdf.

This testimony also addresses the USDA Food Safety Inspection Service's (FSIS) operations.

USDA–APHIS—ANIMAL WELFARE

APHIS's Animal Welfare activities are critical to the proper regulation and care of animals protected under the Animal Welfare Act of 1966 (AWA) and the Horse Protection Act of 1970 (HPA). These activities include inspection of facilities and individuals licensed under the AWA to sell and use certain animals for laboratory research, for exhibition, and as pets, among other uses, as well as enforcement of the HPA through monitoring of horse shows. AWI requests that, consistent with the President's fiscal year 2014 budget proposal, $29 million be allocated to Animal Welfare activities.

This funding will provide for enhanced enforcement of the AWA and HPA, as discussed in the comments below, and will provide the agency with the resources needed to enforce the Animal Welfare retail pet store rule. This rule requires that the sale of pets via Internet, phone, and mail comply with AWA standards. Enforcement of this rule will ensure that animals sold sight-unseen to buyers are better monitored for health and humane treatment.

USDA–APHIS—ANIMAL WELFARE—ANIMAL WELFARE ACT ENFORCEMENT—CLASS B DEALERS

In 1966, Congress passed the Animal Welfare Act (AWA) to prevent the mistreatment of animals and to assure families that their pets would not be sold for laboratory experiments after an exposé revealed the widespread theft of pets for that purpose.

Unfortunately, 47 years later, this is still a problem. Despite the well-meaning intent of the AWA and the enforcement efforts of USDA, the AWA routinely fails both to reliably protect pet owners against the actions of Class B dealers who sell random source dogs and cats for use in research (also known as "random source" dealers) and to ensure that these dealers provide humane care for the dogs and cats kept on their premises.

In response to repeated requests from Congress, the National Institutes of Health (NIH) funded a study by the National Academy of Sciences (NAS) on the use of Class B dogs and cats in NIH-funded research. That report describes a "complicated tangle of trade" in animals sold for use in experiments, and notes that "loopholes in the [Animal Welfare Regulations] permit pets to enter the research pipeline via Class B dealers."[1] Furthermore, "USDA could not offer assurances that pet theft does not occur, and agreed that such a crime is exceedingly difficult to prove. . . ."[2] That difficulty notwithstanding, the report stated that there are "descriptions of thefts provided by informants in prison . . . and documented accounts of lost pets that have ended up in research institutions through Class B dealers."[3]

Across the Nation, these random source Class B dealers—and the middlemen who work for them, known as "bunchers"—use deceit and fraud to acquire dogs and cats. Their tactics include tricking animals' owners into giving away their dogs and cats by posing as someone interested in pet adoption, as well as the outright theft of family pets. The treatment of the animals sold by these random source Class B dealers is shocking and cruel. Hundreds of animals are kept in squalid conditions and are denied much needed veterinary care. Again, the NAS report cited a variety of problems with regard to animal welfare and enforcement.

USDA has had to implement a lengthy and time-consuming enforcement protocol for these random source dealers, involving quarterly inspections (more than any other licensees) and "tracebacks," in order to attempt to verify the source of their animals. While it is exceedingly difficult to put a price tag on this extreme level of oversight, USDA did estimate for the NAS report, at a time when eleven random source Class B dealers were still in business (now there are six, with three under investigation), that it was spending as much as $300,000 per year to regulate that small number of dealers.[4]

Congress, too, has spent an inordinate amount of time reviewing the actions of Class B dealers and prodding USDA and NIH to address their respective Class B dealer problems. NIH long ago banned its intramural researchers from using Class

[1] National Academy of Sciences Institute for Laboratory Animal Research, *Scientific and Humane Issues in the Use of Random Source Dogs and Cats in Research* (2009).
[2] Id.
[3] Id.
[4] Id.

B dealers but had until recently ignored Congress' repeated calls for it to do likewise with respect to outside researchers.

As a result of the NAS report, ongoing congressional interest, enhanced (but disproportionate) oversight by USDA, and evaporating demand for random source dogs and cats, very few of these dealers remain, and with NIH's phased-in ban on the use of Class B dealers by its extramural researchers, the Class B dealer system has become a cruel and expensive anachronism. Those who continue to operate are an unjustifiable drain on USDA's resources. However, as long as it is possible to issue and renew licenses for such dealers, there is the risk that this anachronism will continue to limp along, wasting taxpayer money and perpetuating the inhumane treatment of animals and the trade in illegally acquired dogs and cats.

For this reason, we respectfully request that Congress prohibit any further spending by USDA both to grant new licenses and to renew existing licenses for Class B dealers selling dogs and cats for research purposes by including the following language in the report accompanying the fiscal year 2014 agriculture appropriations: "*Provided,* That appropriations herein made shall not be available for any activities or expense related to the licensing of new Class B dealers who sell dogs and cats for use in research, teaching, or testing, or to the renewal of licenses of existing Class B dealers who sell dogs and cats for use in research, teaching, or testing".

USDA–APHIS—ANIMAL WELFARE—HORSE PROTECTION ACT ENFORCEMENT

The goal of the Horse Protection Act (HPA), passed in 1970, is to end the cruel practice of soring, by which unscrupulous owners and/or trainers, primarily within the Tennessee Walking Horse industry, intentionally inflict pain on the legs and hooves of horses through the application of chemical and mechanical irritants to produce an exaggerated gait. In 2008, the American Association of Equine Practitioners condemned soring as "one of the most significant welfare issues affecting any equine breed or discipline."[5]

Throughout its history, however, the law has been openly flouted and inadequate funding has hampered enforcement. USDA inspectors are able to attend a mere fraction of Tennessee Walking Horse shows. Consequently, there is continued reliance on an industry-run system of certified Horse Industry Organization inspection programs that utilize Designated Qualified Persons (DQPs), usually industry insiders with a history of looking the other way. Reliance on DQPs has been an abysmal failure. Statistics clearly indicate that the presence of USDA inspectors at shows results in a far higher rate of noted violations than occurs when DQPs are present. For instance, USDA recently released foreign substance results gathered through the Horse Protection Program at horse shows from 2010 through 2012. Out of 478 horses sampled at 24 shows in 2012, 309 horses—or 65 percent—tested positive for soring agents.[6] At the 2012 Tennessee Walking Horse National Celebration in Shelbyville, Tennessee, 145 of the 190 horses sampled tested positive, and at some 2012 shows every single horse examined had been exposed to soring chemicals.[7] In 2011, 184 of 189 horses (97 percent) sampled at three shows tested positive for soring agents; in 2010, 312 of 363 horses (86 percent) sampled at six shows had been sored. Data from DQP horse show inspections in 2009 (the most recent year for which reports are available) reveal that for 436 shows at which 70,122 inspections were conducted and 889 violations of any type were cited, only 61, or .00087 percent of horses inspected, were for prohibited foreign substances.

From this comparison, it is clear not only that horse soring remains a serious problem, but also that there is no substitute for inspections by USDA personnel to ensure compliance with the HPA. The greater the likelihood of a USDA inspection, the greater the deterrent effect on those who routinely sore their horses. Enforcement should not be entrusted to individuals with a stake in maintaining the status quo. USDA cannot make progress in this area without adequate funding. We ask that Congress appropriate the $893,000 for HPA enforcement as provided in the administration's budget.

USDA–APHIS—WILDLIFE SERVICES—LIVESTOCK PROTECTION PROGRAM

The Animal and Plant Health Inspection Service's (APHIS) Wildlife Services (WS) program allocates millions of dollars each year to lethal wildlife management ef-

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[5] American Association of Equine Practitioners, *Putting the Horse First: Veterinary Recommendations for Ending the Soring of Tennessee Walking Horses* (2008).

[6] USDA–APHIS Horse Protection Program, 2012 Foreign Substance Results, available at http://www.aphis.usda.gov/animal__welfare/hp/downloads/show%20tally%202012%20for%20web.pdf.

[7] Id.

forts. WS relies on methods that are inhumane, ineffective, costly, and outdated. The program kills thousands of native predators annually in misguided attempts to protect livestock—an objective which would be better served by other, more humane means that have been proven effective in the field. WS' aerial gunning operations are extremely costly and poorly targeted to depredating animals. Its traps and poisons are nonselective and kill large numbers of nontarget animals each year, including endangered species and family pets. They represent threats to public safety and, in the case of poisons like Compound 1080, to national security. In fact, Compound 1080 is "very highly toxic" according to the EPA, and is so dangerous that the FBI has identified it as a potential weapon of terrorism. Accordingly, we request that WS' Wildlife Damage Management budget be reduced by $13 million, the program's estimated annual expenditure for lethal predator control practices intended to protect livestock. It should no longer be the taxpayers' responsibility to subsidize these inhumane, costly practices to which effective alternatives are readily available.

USDA–APHIS—WILDLIFE SERVICES—WILDLIFE DAMAGE MANAGEMENT PROGRAM FOR AIRPORT SAFETY

APHIS' Airport Wildlife Control Program is intended to address the control of wildlife at military and civilian airports to reduce the threat of aircraft striking wildlife, which can lead to aircraft damage, delays, and accidents. While the media often sensationalize such incidents, the statistical likelihood of a bird or other wildlife striking an aircraft is exceedingly small. The chances of a strike resulting in aircraft destruction, damage, delay, or an accident is even more remote. Indeed, since 1988, according to the Bird Strike Committee USA, only slightly more than 250 people worldwide have been killed as a result of bird strikes on aircraft. This loss of life is tragic, but when compared to the total number of aircraft passengers (commercial and civilian) worldwide since 1988, it is obvious that the risk of dying as a result of a bird strike is infinitesimal. Similarly, though the Federal Aviation Administration documented 133,000 reported wildlife strikes (bird strikes comprise approximately 97.5 percent of all wildlife strikes) at civilian and military airports in the United States between 1990 and 2011, only an extraordinarily small fraction of these reported strikes resulted in the damage, delay, or destruction of an aircraft or injuries or death to passengers. Furthermore, when the total number of aircraft (private, commercial, and military) takeoffs and landings are considered over that 21 year period, again the risk of an aircraft striking wildlife is exceedingly small.

Recognizing that the risk of wildlife strikes to aircraft is real but not statistically significant, we support the allocation of $1.5 million to the wildlife damage management program for airport safety included in the administration's budget. However, we ask that these funds be earmarked only for non-lethal management programs. There are a variety of non-lethal strategies that are effective and feasible to address wildlife strikes to aircraft including fencing, habitat management, runway sweeps using pyrotechnics and other noise-making devices, trained falcons, removal of standing water/areas that attract birds/wildlife on airport properties, modification of airport structures to deter bird use, and public/airport employee education to avoid behaviors (i.e., feeding birds) that may attract animals to airports.

USDA–APHIS—WILDLIFE SERVICES—ORAL RABIES VACCINATION PROGRAM

APHIS' oral rabies vaccination (ORV) activities, which are carried out under the National Rabies Management Program, have proven to be a significant step toward controlling the spread of rabies in the United States. This program was established to prevent the spread of wildlife rabies in the United States and ultimately eradicate terrestrial rabies. APHIS' ORV distribution is an effective and humane approach to addressing rabies, and serves to protect public health, pets, wildlife, and livestock in a cost-effective manner. To ensure that the progress that has been made in combating domestic rabies continues, we request that $22.56 million be allocated to the ORV program for fiscal year 2014. This funding level is consistent with the program's estimated fiscal year 2013 expenditures and will enable APHIS to build upon its successes in preventing the spread of rabies.

USDA–APHIS—INVESTIGATIVE AND ENFORCEMENT SERVICES

APHIS' Investigative and Enforcement Services (IES) handles investigations related to enforcement of the laws and regulations for APHIS' programs, which involves: collection of evidence; civil and criminal investigations; and investigations carried out in conjunction with Federal, State and local enforcement agencies. IES, in collaboration with USDA's Office of the General Counsel, also handles other types of enforcement actions including stipulations and formal administrative proceedings. We respectfully request that IES funding remain level with fiscal year 2013 appropriations so that the Service may fulfill its full range of responsibilities, particularly its increasing HPA and AWA investigatory demands.

USDA–FSIS—HORSE SLAUGHTER FACILITY INSPECTIONS

In 2006, the U.S. House of Representatives and U.S. Senate overwhelmingly approved language that prevented tax dollars from being used to inspected horse slaughter facilities. This language remained in effect until it was removed in conference in 2011, despite having been approved by the full House Appropriations Committee. Allowing horse slaughter to resume will only bring the well documented abuse to U.S. soil at great expense to the horses and the American public.

The President's budget underscores the need to prevent the reintroduction of domestic horse slaughter; USDA itself has called for language prohibiting the operation of horse slaughter plants in the United States. The fact that the very agency that will be tasked with overseeing horse slaughter facilities if they reopen has firmly articulated the importance of keeping this costly and inhumane industry out of the United States weighs overwhelmingly in favor of banning domestic slaughter. Given the USDA's clear position, as well as the financial troubles facing the Nation, we encourage the subcommittee to accept this bipartisan language while the full Congress moves to pass a ban on horse slaughter:

"None of the funds made available in this Act may be used to pay the salaries or expenses of personnel to—

"(1) inspect horses under section 3 of the Federal Meat Inspection Act (21 U.S.C. 603);

"(2) inspect horses under section 903 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 1901 note; Public Law 104127); or

"(3) implement or enforce section 352.19 of title 9, Code of Federal Regulations.".

[This statement was submitted by Christopher J. Heyde, Deputy Director, Government and Legal Affairs, Animal Welfare Institute.]

LETTER FROM THE CHOOSE CLEAN WATER COALITION

APRIL 26, 2013.

Hon. MARK PRYOR,
Chairman, Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies,
Washington, DC.

Hon. ROY BLUNT,
Ranking Member, Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies,
Washington, DC.

DEAR CHAIRMAN PRYOR AND RANKING MEMBER BLUNT: As members of the Choose Clean Water Coalition we are requesting continued support for programs to ensure that responsible farms are economically viable. There are 87,000 farms in the Chesapeake region, and those that are well run protect their water resources and add much to our landscape, environment and economy. These conservation programs are critical for maintaining and restoring clean water to the rivers and streams throughout the Chesapeake Bay region, and for the Bay itself. These programs are also essential for the agricultural sector to meet requirements under the Clean Water Act.

At least 11 million people in this region get their drinking water directly from the rivers and streams that flow through the cities, towns and farms throughout our region. The quality of this water is critical to both human health and to the regional economy.

The efforts to clean the Chesapeake began a generation ago under President Reagan in 1983. In his 1984 State of the Union speech President Reagan said, "Preservation of our environment is not a liberal or conservative challenge, it's common sense."

In order to follow a common sense path to maintain economically viable well run farms and to have healthy local water and a restored Chesapeake Bay, which is critical for our regional economy, we request full funding for the President's request for the following programs in fiscal year 2014:

U.S. DEPARTMENT OF AGRICULTURE—NATURAL RESOURCES CONSERVATION SERVICE (NRCS)

Environmental Quality Incentives Program (EQIP)—$1.35 Billion

This national farm bill conservation program provides a formula based allocation to farmers by State and is used for various conservation practices, such as nutrient management, cover crops, conservation tillage, fencing animals out of streams, restoring vegetative buffers along streams, etc., that are critical to protecting and restoring water quality throughout the region and the Nation. EQIP has been essential over the years in this region for farmers to implement and maintain practices that enhance their operations and benefit the local environment.

Chesapeake Bay Watershed Initiative—$50 Million

We urge you to continue funding the Chesapeake Bay Watershed Initiative established in the 2008 farm bill (Public Law 110–246). The President's fiscal year 2014 budget requests $50 million to continue this critical program. The program provides enhancement to existing conservation programs for agricultural producers and has provided tremendous benefits to the region's farmers and local water quality. This program is crucial to reducing the backlog of applications for conservation programs in an area where both need and demand are high. Agricultural conservation practices are one of the most cost-effective ways for meeting water quality restoration goals, and the funding is essential for helping the region reduce nutrient and sediment loads polluting local streams and rivers and reaching the Bay.

Thank you for your consideration on this very important request to maintain funding for these programs which are critical to both our agricultural community and for clean water throughout the mid-Atlantic region.

Sincerely,

American Rivers
Anacostia Watershed Society
Audubon Naturalist Society
Baltimore Jewish Environmental Network
Blue Ridge Watershed Coalition
Cacapon Institute
Center for the Celebration of Creation
Citizens for Pennsylvania's Future (PennFuture)
Clean Water Action
Conservation Pennsylvania
Conservation Voters of Pennsylvania
Delaware Nature Society
Earthworks
Friends of the Rappahannock
James River Association
Lower Susquehanna Riverkeeper
Lynnhaven River NOW
Maryland Conservation Council
Maryland League of Conservation Voters
National Parks Conservation Association
National Wildlife Federation—Mid-Atlantic Regional Center
Natural Resources Defense Council
Nature Abounds
Pennsylvania Council of Churches
Piedmont Environmental Council
Port Tobacco River Conservancy
Potomac Conservancy
Potomac Riverkeeper
Sassafras River Association
Savage River Watershed Association
Severn Riverkeeper
Shenandoah Riverkeeper
Southern Environmental Law Center
Trout Unlimited
Virginia Conservation Network
West Virginia Rivers Coalition
Wicomico Environmental Trust

PREPARED STATEMENT OF THE COALITION AGAINST FOREST PESTS

The Coalition Against Forest Pests consists of nonprofit organizations, for-profit corporations, landowners, State agencies and academic scholars who have joined together to improve our Nation's efforts to address this critical threat to our forests. Our Coalition seeks to create real and lasting change, by advocating for stronger programs and policies that work to combat this threat, mitigate the existing impacts, and restore healthy forest ecosystems. We write today in support of funding for programs at the USDA Animal and Plant Health Inspection Service (APHIS) that help keep the nation's forests healthy by responding to invasive pests.

We urge the subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies to maintain funding for the lines "Tree and Wood Pests" and "Specialty Crops" under the USDA APHIS Plant Health program. Funding through these budget accounts supports eradication and control efforts targeting the Asian longhorned beetle and sudden oak death pathogen; allows APHIS to maintain its efforts to curtail spread of the emerald ash borer and other damaging pests; and enables APHIS to address new threats, most prominently the goldspotted oak borer, thousand cankers disease of walnut, and polyphagous shot hole borer.

We appreciate the difficulty that comes as Congress responds to the Nation's rising debt. However, the Nation cannot afford to further undermine its defenses against the ever-increasing number of plant pests. APHIS is the agency responsible for preventing pest introductions and countering those pests that evade prevention measures. Since 1975, U.S. imports (excluding petroleum products) have risen almost six times faster than staff to conduct inspections of those imports. At the same time, the declining resources at APHIS have limited the Agency's ability to effectively keep plant pests out of the country; this has led to the introduction of more than 90 new plant pests in the United States since 2009. We look forward to working with the subcommittee to help APHIS strengthen and target its pest-prevention and control programs, including preparation of risk assessments; prompt adoption of regulations that effectively clean up pathways of introduction; and increasing capability to detect introductions quickly and respond to them before they become widespread and difficult to control. Effective response, in turn, depends upon capacity to develop and test exclusion, detection, and pest-management methods.

Funding for the "Tree and Wood Pests" and "Specialty Crops" programs is essential to protecting America's irreplaceable rural and urban forests from the rising tide of tree-killing pests. Forested landscapes cover approximately one-third of the total land area of the United States including 100 million acres in urban environments. Every American benefits from forests, whether in the form of wood products for construction or paper, neighborhood amenities, wildlife habitat, carbon sequestration, clean water and air, and even our spiritual well-being. Many Americans' jobs are linked to trees. The U.S. forest products industry employs nearly 900,000 people; it is among the top 10 manufacturing sector employers in 47 States. Jobs associated with production of nonwood forest products are estimated to be in the tens of thousands.

Municipal governments across the country are spending more than $1.7 billion each year to remove trees on city property killed by these pests. Homeowners are spending $1 billion to remove and replace trees on their properties; they are absorbing an additional $1.5 billion in reduced property values.

Over the past decade, 19 new wood-boring pests have been detected in the United States. Despite the rising risk, APHIS' ability to counter these pests—funded by the "Tree and Wood Pest" spending line—was cut by more than one-quarter from fiscal year 2011 to fiscal year 2012. A new pest that poses a significant threat to trees arrives, on average, every 2 to 3 years. Additional cuts further limit the ability of APHIS to reduce the level of damages caused by the growing number of such pests.

The principal program funded under the "Tree and Wood Pest" account is eradication of the Asian longhorned beetle. It is imperative to complete eradication of the Asian longhorned beetle at known outbreak sites, and to continue expanded detection programs to ensure that this highly destructive beetle is not established at additional sites. (Despite its large size, the Asian longhorned beetle is often present for several years before authorities learn of its presence.) The Asian longhorned beetle kills trees in 15 botanical families—especially maples and birches which constitute much of the forest reaching from Maine to Minnesota and urban trees worth an estimated $600 billion. We cannot afford to let this beetle become established in North America, so APHIS must continue improving its detection and eradication tools.

At the same time, funding under the "Tree and Wood Pest" line must be sufficient to enable APHIS to counter additional pests that threaten other forest resources. While the emerald ash borer outbreak is large, significant numbers of ash trees are outside the currently infested area, especially in cities and towns of the Great Plains, West, and South. Reducing APHIS' "slow the spread" effort will expose municipal governments and property owners in these areas to millions of dollars in costs for tree removal.

Other impending losses, including from the Thousand canker disease, are even greater. Thousand cankers disease threatens black walnut across the East; the value of walnut growing stock is estimated to be $539 billion. APHIS must have sufficient funds to help States manage this pest and to support ongoing efforts to develop detection traps, biological controls, and other tools aimed at reducing the damage it causes.

Funds are also needed to support APHIS programs targeting firewood as a major pathway by which the emerald ash borer and other pests are spread to new areas. The agency should counter further spread of the goldspotted oak borer, which has killed 80,000 oak trees in less than 15 years in southern California. The insect threatens oaks throughout California, including in greater Los Angeles and in Yosemite National Park. APHIS should establish a quarantine and evaluate whether oak trees in the Southeast are at risk.

Funding for the "Specialty Crops" program is essential to improving the ability of APHIS to curtail spread of the pathogen called either sudden oak death or Ramorum leaf and stem blight. APHIS' regulations have been only partially successful in ensuring that infected plants are not shipped to vulnerable areas, such as the Southeast. APHIS should work with the nursery trade and the States to adopt more promising measures agreed to through a stakeholder process. APHIS should also evaluate the threat to oaks, maples, willows, and sweetgum trees across the country posed by the polyphagous shot hole borer and the fungus it carries. At present, this pest complex is found in Los Angeles County, California.

These vitally important programs are leveraged by collaborations with other Federal agencies, States, and numerous academic, non-governmental, and commercial entities. If reduced funding hampers these efforts, forests across the Nation will be at increased risk from Asian longhorned beetle, emerald ash borer, sudden oak death, thousand cankers disease of walnut, laurel wilt, and a host of other wood-inhabiting pests.

We greatly appreciate the opportunity to share testimony as the subcommittee prepares a fiscal year 2014 Agriculture, Rural Development, Food and Drug Administration and Related Agencies Appropriations bill. We look forward to sharing more specific recommendations following release of the fiscal year 2014 administration budget.

Alliance for Community Trees
American Forests
American Forest Foundation
American Forest & Paper Association
American Nursery and Landscape Association
California Forest Pest Council
National Alliance of Forest Owners
National Association of Conservation Districts
National Association of State Foresters
National Network of Forest Practitioners
National Wooden Pallet and Container Association
National Woodland Owners Association
Pennsylvania Department of Conservation and Natural Resources
Society of American Florists
Society of American Foresters
The Nature Conservancy

PREPARED STATEMENT OF THE COLORADO RIVER BASIN SALINITY CONTROL FORUM

Waters from the Colorado River are used by approximately 40 million people for municipal and industrial purposes and used to irrigate approximately 4 million acres in the United States. Natural and man-induced salt loading to the Colorado River creates environmental and economic damages. The U.S. Bureau of Reclamation (Reclamation) has estimated the currently quantifiable damages at about $376 million per year. Modeling by Reclamation indicates that the quantifiable damages will rise to approximately $577 million per year by the year 2030 without continuation of the Program. Congress authorized the Colorado River Basin Salinity Control Program (Program) in 1974 to offset increased damages caused by continued development and use of the waters of the Colorado River. The USDA portion of the Program, as authorized by Congress and funded and administered by the Natural Resources Conservation Service (NRCS) under the Environmental Quality Incentives Program (EQIP), is an essential part of the overall effort. A funding level of $17 million to $18 million annually is required to prevent further degradation of the quality of the Colorado River and increased downstream economic damages.

In enacting the Colorado River Basin Salinity Control Act in 1974, Congress directed that the Colorado River Basin Salinity Control Program should be implemented in the most cost-effective way. The Program is currently funded under EQIP through NRCS and under Reclamation's Basinwide Program. The act requires that the basin States cost share 30 percent of the overall effort. Historically, recognizing that agricultural on-farm improvements were some of the most cost-effective strategies, Congress authorized a program for the United States Department of Agriculture (USDA) through amendment of the act in 1984. With the enactment of the Federal Agriculture Improvement and Reform Act of 1996 (FAIRA), Congress directed that the Program should continue to be implemented as part of the newly created Environmental Quality Incentives Program. Since the enactment of the Farm Security and Rural Investment Act (FSRIA) in 2002, there have been, for the first time in a number of years, opportunities to adequately fund the Program within EQIP. In 2008, Congress passed the Food, Conservation and Energy Act (FCEA). The FCEA addressed the cost sharing required from the Basin Funds. In so doing, the FCEA named the cost sharing requirement as the Basin States Program (BSP). The BSP will provide 30 percent of the total amount that will be spent each year by the combined EQIP and BSP effort.

The Program, as set forth in the act, is to benefit Lower Basin water users hundreds of miles downstream from the sources of salinity in the Upper Basin. The salinity of Colorado River waters increases from about 50 mg/L at its headwaters to more than 700 mg/L in the Lower Basin. There are very significant economic damages caused downstream by high salt levels in the water. EQIP is used to improve upstream irrigation efficiencies which in turn reduce leaching of salts to the Colorado River. There are also local benefits from the Program in the form of soil and environmental benefits, improved water efficiencies, reduced fertilizer use and lower labor costs. Local producers submit cost-effective applications under EQIP in Colorado, Utah, and Wyoming, and offer to cost share in the acquisition of new irrigation equipment. The mix of funding under EQIP, cost share from the Basin States and efforts and cost share brought forward by local producers has created a most remarkable and successful partnership.

After longstanding urgings from the States and directives from Congress, NRCS has recognized that this Program is different than small watershed enhancement efforts common to EQIP. In the case of the Colorado River salinity control effort, the watershed to be considered stretches more than 1,400 miles from the river's headwater in the Rocky Mountains to the river's terminus in the Gulf of California in Mexico. Each year the NRCS State Conservationists for Colorado, Utah, and Wyoming, prepare a 3-year funding plan for the salinity efforts under EQIP. The Forum supports this funding plan which recognizes the need for $17.3 million in fiscal year 2014. This includes the moneys needed for both farm and technical assistance. State and local cost-sharing is triggered by the Federal appropriation. The States and local producers are able and anxious to participate in the Program. The Forum appreciates the efforts of NRCS leadership and the support of this subcommittee in implementing the Program.

The Forum is composed of gubernatorial appointees from Arizona, California, Colorado, Nevada, New Mexico, Utah, and Wyoming. The Forum is charged with reviewing the Colorado River's water quality standards every 3 years. In so doing, it adopts a Plan of Implementation consistent with these standards. The level of appropriation requested in this testimony is in keeping with the adopted Plan of Implementation. If adequate funds are not appropriated, significant damages from the higher salinity concentrations in the water will be more widespread in the United States and Mexico.

Concentration of salt in the Colorado River causes approximately $376 million in quantified damages and significantly more in unquantified damages in the United States and results in poor water quality for United States users. Damages occur from:

—a reduction in the yield of salt sensitive crops and increased water use to meet the leaching requirements in the agricultural sector;
—increased use of imported water and cost of desalination and brine disposal for recycling water in the municipal sector;
—a reduction in the useful life of galvanized water pipe systems, water heaters, faucets, garbage disposals, clothes washers, and dishwashers, and increased use of bottled water and water softeners in the household sector;
—an increase in the cost of cooling operations and the cost of water softening, and a decrease in equipment service life in the commercial sector;
—an increase in the use of water and the cost of water treatment, and an increase in sewer fees in the industrial sector;
—a decrease in the life of treatment facilities and pipelines in the utility sector; and
—difficulty in meeting wastewater discharge requirements to comply with National Pollutant Discharge Elimination System permit terms and conditions, and an increase in desalination and brine disposal costs due to accumulation of salts in groundwater basins.

Over the years, NRCS personnel have developed a great working relationship with farmers within the Colorado River Basin. Maintaining salinity control achieved by implementation of past practices requires continuing education and technical assistance from NRCS personnel. Additionally, technical assistance is required for planning and design of future projects. Last, the continued funding for the monitoring and evaluation of existing projects is essential to maintaining the salinity reduction already achieved.

In summary, implementation of salinity control practices through EQIP has proven to be a very cost effective method of controlling the salinity of the Colorado River and is an essential component to the overall Colorado River Basin Salinity Control Program. Continuation of EQIP with adequate funding levels will prevent the water quality of the Colorado River from further degradation and significantly increased economic damages to municipal, industrial and irrigation users. A modest investment in source control pays huge dividends in improved drinking water quality to nearly 40 million Americans.

[This statement was submitted by Don A. Barnett, Executive Director, Colorado River Basin Salinity Control Forum.]

PREPARED STATEMENT OF THE COLORADO RIVER BOARD OF CALIFORNIA

This testimony is in support of funding for the U.S. Department of Agriculture (USDA) and its on-farm Colorado River Basin Salinity Control Program (Program) for fiscal year 2014. This program has been carried out through the Colorado River Basin Salinity Control Act (Public Law 93–320), since it was enacted by Congress in 1974. Further, with the enactment of the Federal Agricultural Improvement and Reform Act (FAIRA) in 1996 (Public Law 104–127), Congress directed that the Program should continue to be implemented as one of the components of the Environmental Quality Incentives Program (EQIP). Finally, Congress passed the Food, Conservation, and Energy Act (FCEA) in 2008, that addressed the cost-sharing required from the Basin Funds, and redesignated the cost-sharing requirement as the Basin States Program (BSP). Currently, the BSP provides approximately 30 percent of the total amount that will be spent each year by the combined EQIP and BSP efforts.

The Salinity Control Program benefits both the Upper Basin water users through more efficient water management and the Lower Basin water users, through reduced salinity concentration of Colorado River water. For example, California's Colorado River water users continue to suffer economic damages in the hundreds of million of dollars per year due to the current salinity of the Colorado River.

The Colorado River Board of California (Colorado River Board) is the State agency charged with protecting California's interests and rights in the water and power resources of the Colorado River system. In this capacity, California participates along with the other six Colorado River Basin States through the Colorado River Basin Salinity Control Forum (Forum), the interstate organization responsible for coordinating the Basin States' salinity control efforts. In close cooperation with the U.S. Environmental Protection Agency (EPA) and pursuant to requirements of the Clean Water Act (Public Law 92–500), the Forum is charged with reviewing the Colorado River's water quality standards every 3 years. The Forum adopts a Plan of Implementation consistent with these water quality standards. The level of appropriation being supported in this testimony is consistent with the Forum's 2011 Plan of Implementation. The Forum's 2011 Plan of Implementation can be found on this website: http://www.coloradoriversalinity.org/docs/2011%20REVIEW-October.pdf. If adequate funds are not appropriated, significant damages associated with increasing salinity concentrations of Colorado River water will become more widespread in the United States and Mexico.

Currently, the salinity concentration of Colorado River water causes about $376 million in quantifiable damages in the United States annually. Economic and hydrologic modeling by the U.S. Bureau of Reclamation (Reclamation) indicates that the quantifiable damages could rise to more than $577 million by the year 2030 without the continuation of the Salinity Control Program as identified in the 2011 Plan of Implementation. For example, salinity damages occur from:

—A reduction in the yield of salt-sensitive crops and increased water use for leaching in the agricultural sector;
—A reduction in the useful life of galvanized water pipe systems, water heaters, faucets, garbage disposals, clothes washers, and dishwashers, and increased use of bottled water and water softeners in the household sector;
—An increase in the use of water for cooling, and the cost of water softening, and a decrease in equipment service life in the commercial sector;
—An increase in the use of water and the cost of water treatment, and an increase in sewer fees in the industrial sector;
—A decrease in the life of treatment facilities and pipelines in the utility sector;
—Difficulty in meeting wastewater discharge requirements to comply with National Pollutant Discharge Elimination System permit terms and conditions, and an increase in desalination and brine disposal costs due to accumulation of salts in groundwater basins, and fewer opportunities for recycling due to groundwater quality deterioration; and
—Increased use of imported water for leaching and the cost of desalination and brine disposal for recycled water.

In recent fiscal years, the Natural Resources Conservation Service (NRCS) has directed that about $17 million to $18 million of EQIP funds be used for the Salinity Control Program. The Colorado River Board respectfully urges the subcommittee to support funding for the Colorado River Basin Salinity Control Program for fiscal year 2014 at least at this level.

The Forum has taken the position that funding for the Program should be consistent with the 3-year funding plan submitted by the three NRCS State Conservationists for Colorado, Utah and Wyoming. The NRCS funding plan for 2014 is $17.3 million and includes both farm and technical assistance program elements. It should also be pointed out that State and local cost-sharing is triggered by Federal appropriations.

In conclusion, the Colorado River Board of California recognizes that the Federal Government has made significant commitments to the seven Colorado River Basin States with regard to the delivery of Colorado River water. In order for those commitments to continue to be honored, it is essential that Congress continue to provide funds to the USDA to allow it to provide needed technical support to agricultural producers for addressing salinity control activities in the Colorado River Basin. Over the past 29 years, the Colorado River Basin Salinity Control program has proven to be a very cost-effective and collaborative approach to help mitigate the impacts of the salinity of Colorado River water. Continued Federal funding of the USDA elements of this important Basin-wide program is essential to maintaining this effort.

[This statement was submitted by Tanya M. Trujillo, Executive Director, Colorado River Board of California.]

Prepared Statement of the Cystic Fibrosis Foundation (CFF)

On behalf of the Cystic Fibrosis Foundation and the approximately 30,000 people with cystic fibrosis (CF) in the United States, we are pleased to submit the following testimony to the Senate Appropriations Committee's Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies on our funding requests for fiscal year 2014.

In order to encourage efficient review of drugs for cystic fibrosis and other rare diseases, we urge the committee to prioritize the Food and Drug Administration (FDA) in fiscal year 2014 by providing the highest possible funding level for this critical agency. We urge special consideration and support for the Center for Drug Evaluation and Research (CDER), its Office of New Drugs (OND), and the Office of Orphan Products Development (OOPD).

THE FOOD AND DRUG ADMINISTRATION—SUFFICIENT FUNDING FOR SWIFT DRUG REVIEW

The Cystic Fibrosis Foundation requests that the committee provide robust funding for drug review at the Food and Drug Administration in fiscal year 2014. The FDA has broad and significant responsibilities, regulating roughly 25 percent of consumer spending, and its responsibilities grow each year. In light of this, we are significantly concerned about the impact of the recently enacted sequester, which results in a loss of about $208 million, 5.1 percent of the agency's budget.

This figure includes sequestration of user fees for prescription drugs. The Foundation strongly opposes sequestering these funds, which are collected from industry for the express purpose of supporting drug review and are critical to the efficient review of rare disease treatments. It is vital that the FDA have the funding it needs to ensure that the Nation has a safe and effective supply of drugs and devices and that the agency can give the necessary attention to reviewing therapies that treat small patient populations and serve specific unmet medical needs.

The Cystic Fibrosis Foundation applauds FDA Commissioner Dr. Margaret A. Hamburg, CDER Director Dr. Janet Woodcock, and Associate Director for Rare Diseases Dr. Anne Pariser for their sensitivity to the challenges posed by the evaluation of rare disease treatments and support for swift rare disease drug review and approval.

Last year's approval of Kalydeco™, a groundbreaking cystic fibrosis treatment called "the most important drug of 2012" by Forbes Magazine, is an example of this support. Reviewed and approved in only 3 months, Kalydeco was one of the fastest approvals in the history of the FDA. Kalydeco's review is a testament to the agency's efficiency and its commitment to patients who live everyday with serious chronic diseases.

Kalydeco, developed by Vertex Pharmaceuticals in cooperation with the Cystic Fibrosis Foundation, is the first treatment to target the underlying genetic cause of cystic fibrosis. It is effective in those with a particular CF mutation, impacting about 4 percent of the cystic fibrosis population. Other treatments like Kalydeco that target the root cause of the disease in larger portions of the CF population are moving quickly through the pipeline. Phase 3 clinical trials are underway to study a combination of Kalydeco and a new compound, VX–809, which would treat those with the most common CF mutation, affecting about 50 percent of those with CF in the United States. Additionally, the CF Foundation has significantly expanded its research investments with leading pharmaceutical companies, including Pfizer, Genzyme and Vertex, to accelerate the discovery and development of new drugs that will help more CF patients.

As innovative, genetically targeted treatments like Kalydeco are developed, it is important that the FDA has the resources it needs to support a sufficient amount of reviewers and retain those with appropriate and extensive expertise in rare diseases in order for new drugs to be evaluated effectively, efficiently and without delay.

The review of rare disease drugs involves myriad issues not faced in the evaluation of treatments for more common ailments. For example, treatments akin to Kalydeco target specific genetic mutations. However, there are over 1,000 mutations of cystic fibrosis and some of these mutations may impact very small patient populations, creating challenges in designing clinical trials. In some cases it may be necessary to consider alternate approaches, including accelerating classification of biomarkers, testing combinations of drugs in populations that might include patients with several different CF mutations and the development and testing of single and combination therapies in so-called "n of 1" trials (trials consisting of a single patient).

Experienced FDA personnel who understand the complexities of rare disease clinical research contribute to a more nimble review process and cultivate an environment where more novel approaches are considered. Providing the FDA with sufficient resources is the only way the agency can retain the high caliber workforce it needs to review the life-saving drugs of tomorrow.

THE FOOD AND DRUG ADMINISTRATION SAFETY AND INNOVATION ACT (FDASIA)

In July 2012, the President signed the Food and Drug Administration Safety and Innovation Act (FDASIA) into law. This legislation included many provisions with the potential to speed the development and review of rare disease treatments, but it cannot be implemented effectively unless the FDA has adequate resources.

One provision in particular outlined in FDASIA is a new pathway for "Breakthrough Therapies." This new pathway was created to expedite the development and review of a potential new medicine intended to treat a serious or life-threatening disease or condition, which evidence indicates could demonstrate substantial improvement over existing therapies. The first two Breakthrough Therapy designations were awarded to Vertex Pharmaceuticals for Kalydeco monotherapy (use of Kalydeco by people with certain CF mutations not evaluated in prior studies) and the combination regimen of Kalydeco and VX–809 currently being studied in clinical trials. This additional pathway has the potential to help move new treatments quickly to CF patients, but the FDA needs sufficient funding to implement it effectively.

Another provision, recommended by the Cystic Fibrosis Foundation for inclusion in FDASIA, encourages FDA consultation with external experts regarding the review of rare disease and genetically targeted drugs, authorizing the Secretary to maintain a list of experts to consult on rare disease topics. These topics include the unmet medical need associated with rare diseases, an assessment of the benefits and risks of therapies to treat rare disease and the design of clinical trials for rare disease populations and subpopulations. As we reap the benefits of the mapping of the human genome and the creation of innovative models for advancing drug development, FDA outreach to external rare disease experts will be more important than ever.

An example of the importance of this type of outreach can be found in the swift approval of Kalydeco. Throughout Kalydeco's review, the Cystic Fibrosis Foundation and renowned CF experts worked closely with Vertex and the FDA, providing valuable insight on very specialized issues. We believe this contributed to an efficient review and approval, a testament to what can be achieved when all interested stakeholders collaborate.

COLLABORATION LEADS TO INNOVATION

The CF Foundation urges the committee to support funding for collaborative efforts between the Food and Drug Administration and the National Institutes of Health, such as the Regulatory Science Initiative and the FDA–NIH Joint Leadership Council. Collaboration between the FDA and NIH can help move innovative new drugs more quickly through the development process and into the hands of patients by providing an opportunity to share resources, strategies, and tools, streamlining the development process from the laboratory to FDA review and enhancing the regulation of drugs in this ever-changing scientific landscape.

ABOUT CYSTIC FIBROSIS AND THE CYSTIC FIBROSIS FOUNDATION

Cystic fibrosis is a rare genetic disease that causes the body to produce abnormally thick mucus that clogs the lungs and results in life-threatening infections. This mucus also obstructs the pancreas and stops natural enzymes from helping the body break down and absorb food.

The Cystic Fibrosis Foundation's mission is to find a cure for CF and improve quality of life for those living with the disease. Through the Foundation's efforts, the life expectancy of a child with CF has doubled in the last 30 years and research to find a cure is more promising than ever. The Foundation's research efforts have helped create a robust pipeline of potential therapies that target the disease from every angle. Nearly every CF drug available today was made possible because of the Foundation's support and our ongoing work to find a cure.

Once again, we urge the committee to make funding for the Food and Drug Administration a priority in fiscal year 2014, and stand ready to work with the committee and congressional leaders on the challenges ahead. Thank you for your consideration.

[This statement was submitted by Robert J. Beall, Ph.D., Cystic Fibrosis Foundation, President and Chief Executive Officer.]

PREPARED STATEMENT OF THE FEDERATION OF AMERICAN SOCIETIES FOR EXPERIMENTAL BIOLOGY (FASEB)

The Federation of American Societies for Experimental Biology (FASEB) respectfully requests a fiscal year 2014 appropriation of a minimum of $325 million for the Agriculture and Food Research Initiative (AFRI) within the National Institute of Food and Agriculture. This funding level would keep AFRI on a path to its authorized level of $700 million in the 2008 Food, Conservation, and Energy Act.

As a federation of 26 scientific societies, FASEB represents more than 100,000 life scientists and engineers, making it the largest coalition of biomedical research associations in the United States. FASEB's mission is to advance health and welfare by promoting progress and education in biological and biomedical sciences, including the research funded by AFRI, through service to its member societies and collaborative advocacy. FASEB enhances the ability of scientists and engineers to improve—through their research—the health, well-being, and productivity of all people.

AFRI is the premier competitive grants program of the United States Department of Agriculture (USDA), supporting research, extension, and education projects at public, land grant universities and private institutions nationwide. AFRI facilitates collaborative, interdisciplinary research to address broad societal challenges and generate knowledge in high-priority areas of the food and agricultural sciences and translate these discoveries into agricultural practice. AFRI also encourages young scientists to pursue careers in agricultural research by providing research funding for over 1,700 of the Nation's most promising pre- and postdoctoral scholars.

Examples of recent USDA-funded research include:

—*Preventing Foodborne Illness*.—Scientists are using multidisciplinary approaches to better understand the process by which disease-causing E. coli bacteria are released from the digestive tracts of cattle into the food supply. Research on the genetic, microbial, and environmental factors that cause the bacteria to spread throughout livestock populations will enable scientists to develop new strategies for reducing cattle infections and preventing food contamination.

—*Controlling the Spread of Disease*.—The emergence and transmission of infectious diseases among humans and other animals represent an enormous public health threat. In collaboration with National Institutes of Health and National Science Foundation, AFRI is supporting interdisciplinary teams of researchers to deepen our insight and to generate knowledge that will help policymakers to develop better strategies for prevention and suppression of zoonotic transmission to humans.

—*Enabling the Production of Better Livestock*.—The completion of the swine genome project is helping us understand the genetic architecture underlying high-quality pork production, disease resistance, and the efficiency with which feed is converted to meat. Taken together, this new knowledge with enable the sustainable and more economical production of high-quality pork by farmers. In addition, newly revealed similarities between the swine and human genomes contribute to our understanding of human health.

—*Managing Agricultural Pests*.—A team of scientists supported by USDA is studying the genomes of soilborne microorganisms that severely damage soybeans and other crops. By identifying genes important for the pathogen's harmful effects on plants, scientists can develop strategies to manage disease and increase crop production. Extension specialists, economists, and biologists involved with the project will also ensure that the research is efficiently translated into technologies that benefit farmers, who lose an estimated $300 million to soybean root and stem rot diseases each year.

—*Training the Next Generation Agricultural Scientist*.—A new AFRI-funded fellowship program has been established to train and develop the next generation of agricultural, forestry, and food scientists and educators. In its first year, the program awarded a total of $6 million to 54 students from 32 universities across the country. Fellows are already advancing important research projects, including a study to identify sources of microbial contamination in imported foods.

APPROPRIATELY REALIZING THE POTENTIAL OF AGRICULTURAL RESEARCH

Global food demand is expected to double by the year 2050, yet the amount of land available for agriculture is not expected to increase substantially. The world must address the increased demand for food while simultaneously meeting the need for better nutrition, new biofuel materials, sustainable agriculture practices, and food safety. The effective coordination of research, extension, and education activities like those supported by AFRI enables efficient translation of scientific discoveries into a broad range of solutions to some of our most daunting obstacles. The implementation of those solutions requires a robust and scientifically diverse agricultural research workforce.

Agricultural research directly benefits all sectors of society and every geographic region of the country. The private sector relies on public investments to increase productivity, improve crops, and train future cohorts of agricultural scientists. Strong funding for AFRI is one effective way to attract outstanding scientists to careers in agricultural research. With the critical focus of its mission and the growing need for progress, AFRI is significantly underfunded relative to its current capacity. Because of the program's limited budget in fiscal year 2010, only 60 percent of project proposals recommended for funding by review panels received support. This is woefully inadequate to ensure viability of a research enterprise at the core of our economy. The estimated value of U.S. agricultural exports increased 32.2 percent between fiscal year 2007 and fiscal year 2010, illustrating the growing demand for agricultural products worldwide, yet the AFRI budget has stagnated since the program was established with an authorized funding level of $700 million in the 2008 farm bill. FASEB recommends at least $325 million for AFRI in fiscal year 2014. This could support an additional 100 research grants. Given that the capacity of the agricultural research system is much greater, we support additional sustainable increases to reach the fully authorized level for AFRI as soon as feasible. Our recommended increase of $58.4 million would fund 100 additional projects.

Thank you for the opportunity to offer FASEB's support for AFRI.

PREPARED STATEMENT OF THE FLORIDA HOME PARTNERSHIP, INC. (FHP)

On behalf of Florida Home Partnership (FHP), I wish to thank you for accepting this testimony in support of Rural Housing Funding for fiscal year 2014. FHP is a nonprofit Community Housing Development Organization (CHDO) with a mission to provide low- and moderate-income families with affordable, quality-built, energy-efficient homes in communities that offer long-term value and comfort.

Since 2010, U.S. Department of Agriculture (USDA) Rural Housing programs have been cut by nearly $400 million. Further cuts to Rural Housing programs proposed by the administration's budget request are unwise and unwarranted. As such, I am urging the Appropriations subcommittee to fund the following USDA Rural Housing Programs at the higher of the President's fiscal year 2014 budget request or fiscal year 2013 levels, prior to sequestration, including: (1) $900 million for Section 502 Direct Homeownership Loans; (2) $30 million for Section 523 Self-Help Housing Program; and (3) $6.12 million for the Rural Community Development Initiative.

SECTION 502 DIRECT LOANS AND SECTION 523 MUTUAL SELF-HELP HOUSING

The Section 502 Loans provide affordable mortgage opportunities for low-income rural Americans, while the section 523 funds allow Self-Help Housing grantees across rural America to provide technical assistance to rural Americans engaged in building their own homes through USDA's Mutual Self Help Housing Program.

FHP administers the USDA Mutual Self-Help Housing Program in the rural areas of Hillsborough and Pasco Counties in Florida. The impact of this service asserts a positive result in four areas: (1) Affordable, quality housing for low- to moderate-income families; (2) Green Built and Energy Star-certified homes conserve precious resources; (3) Safe and affordable housing instills higher goals for the future of youth and teens; and (4) the Mutual Self-help Program sustains and stimulates the local economic environment.

With the support of the USDA Mutual Self-Help Program, FHP guides groups of 6 to 10, low- to moderate-income families to work together to help build each other's homes. In the past 15 years, over 500 homes and five communities have been built. Leveraging dollars from the USDA Mutual Self-help Program, the State of Florida's Home Ownership Pool, and down payment assistance through Hillsborough and Pasco Counties, Federal funds enable FHP to efficiently operate a very complex, yet effective program. FHP has successfully administered over $65,000,000 to implement this USDA affordable housing program.

Participating families share the common goal of homeownership and commit themselves to share in the work that will make that goal a reality. When all homes in the construction "Group" are completed, all homeowners are authorized to move into their new homes on the same day, creating an instant community. Families and individuals contribute a minimum of 600 hours of "sweat equity" in the construction of their new homes in exchange for their down payment. Hard work is the key, along with a willingness to work cooperatively with other participants. No construction experience is necessary! Participants perform a variety of unskilled and semi-skilled tasks from digging the foundation, to carpentry, painting, electrical and plumbing activities through construction clean-up and landscaping—along with everything in between. Our knowledgeable family construction coordinators (who themselves have gone through the program) guide participants through the construction process, all the while teaching the participants many new skill sets. Friends, family, church members, and others help these families accomplish the labor requirements. Therefore, it becomes a community endeavor to complete all the homes in a group.

Each Self Help Home is currently being built as a GREEN Certified home, and is constructed to Exceed Energy Star Standards. To date, FHP has constructed over 150 GREEN and Energy Star Certified homes. These homes conserve energy resources for our country, and just as importantly, conserve the precious financial resources of the low-income rural clients we serve. Many of the Self Help Housing organizations across America build their homes to these same Green and Energy Conserving Standards.

FHP provides services before, during, and after to assure the success of the families. Services provided "during" the application process include homeownership education, improving credit, and understanding the responsibilities of homeownership. Once the home is built, homeowners are also educated and encouraged to become active with their homeowners association to assure their community remains a quality and safe neighborhood. FHP recently hosted a Parliamentary Procedure Training class for interested homeowners and to train new and seasoned HOA board members.

While FHP provides safe housing and encourages community involvement, the groundwork is being laid to support a positive outlook for youth and teens in the community. The youth of our communities have witnessed the hard work of their parents leading to the accomplishment of the American Dream, homeownership. We have had multiple experiences where children growing up in our decent affordable Self-Help Housing communities, have gone on to build Self-Help Homes of their own. These children have learned that hard work and perseverance do pay off.

The USDA Mutual Self-help Program has also had a positive impact on the local economy. In addition to a staff of 17 employees, in which 58 percent are Self Help Homeowners, FHP has been able to regularly subcontract with small family owned, mid-size and chain store businesses. A great portion of the $65,000,000 has been circulated to these various businesses since our inception in 1993. Consequently, as a primary client for many businesses, including Home Depot, in the Ruskin, Florida area, FHP has contributed to supporting jobs throughout its rural service area.

The value of the Mutual Self-help Program has inherent benefits that provide answers to other social problems in our society by meeting the needs of affordable, quality and energy-efficient housing that provides safe environments for our rural families. Accordingly, the program also prepares the children of these homeowners with the tools to change their collective destinies; all while creating and maintaining meaningful jobs for rural Americans.

[This statement was submitted by Earl Allen Pfeiffer, Executive Director, Florida Home Partnership, Inc.]

PREPARED STATEMENT OF FRIENDS OF AGRICULTURAL RESEARCH—BELTSVILLE, INC. (FAR–B)

Mr. Chairman and members of the subcommittee, thank you for this opportunity to present our statement supporting funding for the USDA's Agricultural Research Service (ARS), and especially for its flagship research facility, the Henry A. Wallace Beltsville Agricultural Research Center (BARC), in Beltsville, Maryland. We strongly recommend full fiscal year 2014 funding support for research programs at Beltsville.

Usually, our testimony would discuss relevant sections of the President's annual budget proposal. This year, however, it appears as though the President's annual budget proposal may not be available before the March 20 deadline the subcommittee has announced for accepting testimony from interested members and outside witnesses. Thus, drawing on a discussion with subcommittee staff, our testimony for fiscal year 2014 generally summarizes and re-states the testimony that we submitted a year ago.

Henry A. Wallace Beltsville Agricultural Research Center.—The Nation's premier agricultural research center—has spearheaded technical advances in American agriculture for over 100 years. Beltsville celebrated 100 years of research leadership and technical advances in 2010. The long list of landmark research achievements over that time is truly remarkable. Still at the threshold of its second century, Beltsville stands unequalled in scientific capability, breadth of agricultural research portfolio, and concentration of scientific expertise. Under the leadership of Director Dr. Joseph Spence and with its powerful scientific capability, the Beltsville Agricultural Research Center is distinctively, indispensably prepared for the challenges that lie ahead.

PRIORITIES IN THE PRESIDENT'S FISCAL YEAR 2013 BUDGET REQUEST

Now, Mr. Chairman, we turn to key research areas highlighted in the President's proposed fiscal year 2013 budget. We continue to strongly recommend this proposed funding as we did a year ago.

We were pleased to see that the fiscal year 2013 budget includes increases for environmental stewardship; crop breeding and protection; animal breeding and protection; food safety; and human nutrition. Obviously, these are areas of great concern to all Americans, and they are certainly among the highest priorities for agricultural research today. All of these research areas are strengths of the Beltsville Agricultural Research Center and they will benefit well from the unique facilities and scientific expertise at the Center. We encourage you to seriously consider funding the proposed budget and to ensure that Beltsville receives the funding that it needs to address these critical research needs.

Although funds are not requested for major facilities projects in the fiscal year 2013 budget, we would like to bring to your attention the urgent need for renovation of Building 307 on the Beltsville campus. The Center has aggressively moved to consolidate space and reduce costs and has been very successful at doing so. However, these plans require the renovation of a building—Building 307—that was vacated some years ago in anticipation of a complete renovation. In the past, Congress approved partial funding for this renovation, and those monies were retained pending appropriation of the full amount required for the renovation. Unfortunately, those funds now have been lost to ARS. Consequently, renovation of this vacant, highly useful building is on indefinite hold. While we realize that funding is extremely tight, we confirm that Beltsville urgently needs a renovated Building 307 for adequate, high quality lab space. Moreover, a renovated Building 307 would not only yield substantial energy savings, but also would allow Beltsville to move forward with other long-delayed relocation and consolidation plans. At a minimum, funds are urgently needed to stabilize this vacant building from continuing deterioration.

In summation, we would highlight these spheres of excellence:

Animal Breeding and Protection.—Beltsville conducts extensive research on animal production and animal health. The research center is the foundation of genetic improvement in dairy cow production. Beltsville is examining ways to prevent resistance to drugs for animal parasite prevention and control.

Crop Breeding and Protection.—Beltsville scientists have an extensive record of ongoing research relating to protecting crops from pests and emerging pathogens. Beltsville has distinctive expertise for identifying pathogens, nematodes, and insects that destroy crops or make crops ineligible for export. Beltsville houses the Germplasm Resource Information Network, the United States coordinating body to identify and catalog plant germplasm.

Child and Human Nutrition.—The Beltsville Human Nutrition Research Center (BHNRC) is the Nation's largest, most comprehensive Federal human nutrition research center; unique activities include the What We Eat in America survey, which is the Government's nutrition monitoring program, and the National Nutrient Databank, which is the gold standard reference of food nutrient content that is used throughout the world. These two activities are the basis for food labels, nutrition education programs, food assistance programs including SNAP, the Supplemental Nutrition Assistance Program, school feeding programs, and Government nutrition education programs.

Global Climate Change.—Beltsville became actively engaged in climate change research long before climate change became a topic of intense media interest. Beltsville scientists are at the forefront of climate change research—understanding how climate change affects crop production and the effects of climate change on growth and spread of invasive and detrimental plants (such as weeds.) A central aim is finding ways to mitigate negative effects of climate change on crops. Beltsville houses unequalled facilities for replicating past climates or climates that may exist in the future.

Plant, Animal, and Microbial Collections.—Beltsville houses matchless national biological collections that are indispensable to the well-being of American agriculture. In addition to the actual collections, Beltsville scientists are internationally recognized for their expertise and ability to quickly and properly identify insect pests, fungal pathogens, bacterial threats, and nematodes. This expertise is crucial to preventing loss of crops and animals, ensuring that invasive threats to American agriculture are identified before they can enter the country, thus helping to protect homeland security, and ensuring that American exports are free of pests and pathogens that could prohibit exports. Also, Beltsville houses the National Animal Parasite collection and has the expertise to identify parasites that are of importance to agricultural animals.

Mr. Chairman, this concludes our statement. Thank you for consideration and support for the educational, research, and outreach missions of the Beltsville Agricultural Research Center.

[This statement was submitted by James D. Anderson, Ph.D., President, Friends of Agricultural Research—Beltsville.]

PREPARED STATEMENT OF THE GLOBAL HEALTH TECHNOLOGIES COALITION (GHTC)

Chairman Pryor, Ranking Member Blunt, and members of the committee, thank you for the opportunity to provide testimony on the fiscal year 2014 appropriations funding for the U.S. Food and Drug Administration (FDA). We appreciate your leadership in global health, and we hope that your support will continue. I am submitting this testimony on behalf of the Global Health Technologies Coalition (GHTC), a group of over 25 nonprofit organizations working together to advance U.S. policies that can accelerate the development of new global health innovations—including new vaccines, drugs, diagnostics, microbicides, multi-purpose technologies, and other tools—to combat global health diseases and conditions. The GHTC members strongly believe that to meet the world's most pressing global health needs, it is critical to invest in research for and regulation of new global health technologies today so that the most effective health solutions are available now and in the future. We also believe that the U.S. Government has a historic and unique role in doing so. My testimony reflects the needs expressed by our member organizations, which include nonprofit advocacy organizations, policy think-tanks, implementing organizations, product development partnerships (PDPs), and many others.[1] We strongly urge the committee to continue its established support for global health research and development (R&D), as well as product safety by: (1) Sustaining and supporting U.S. investments in global health product development by robustly funding FDA to conduct its work in fiscal year 2014, and encourage FDA to increase its internal capacity

[1] Global Health Technologies Coalition. http://www.ghtcoalition.org/coalition-members.php.

in neglected diseases; (2) support FDA's authority to fund research and development for global health technologies, including but not limited to those created though the Critical Pathways Initiative; (3) instructing FDA to continue to build stronger partnerships with non-U.S. regulatory stakeholders, such as the WHO; (4) requesting that FDA create an office of neglected diseases in the Office of the Commissioner; (5) instruct the FDA to include the neglected tropical disease Chagas on the list of global health conditions for which FDA is legally allowed to review health products; (6) instructing FDA to report on its global health and neglected disease activities in its next report to Congress; and (7) instructing FDA to work with the other U.S. agencies engaged in global health R&D to develop a 5-year cross-Government strategy for U.S. global health research and development funding and programming.

CRITICAL NEED FOR NEW GLOBAL HEALTH TOOLS

Every day, more than 35,000 people die from AIDS, tuberculosis (TB), malaria, and other neglected diseases. While drugs and other health technologies exist for these diseases, many have grown ineffective due to increasing drug resistance and toxicity or are costly and difficult to administer in poor, remote, and unstable settings. There are several very promising technology candidates in the R&D pipeline; however, these tools will never be available if the support needed to continue research, development and regulation is not supported and sustained.

GLOBAL HEALTH PRODUCT DEVELOPMENT CHALLENGES

Developers of products intended for the developing world face challenges in three key areas:

First, capacity to conduct as well as adequately regulate clinical trials does not exist or is often weak in countries where diseases are endemic. And third, the approval process for new products for neglected diseases is poorly coordinated and involves multiple, complex steps. Global regulatory systems are not sufficiently streamlined and the capacity of regulatory authorities to approve products for the developing world is frequently weak. Therefore, regulatory review and introduction of new safe and effective products takes longer than necessary.

ADVANCING GLOBAL HEALTH PRODUCT DEVELOPMENT

Because private industry does not invest significantly in the development of products for diseases for which there are no lucrative markets, a host of new organizational models and incentive mechanisms have emerged to address this challenge, with varying success.

One organizational model that has proven promising is the product development partnership (PDP). PDPs are a unique form of public-private partnership established to drive greater development of products for neglected diseases. Currently, there are more than 26 PDPs developing drugs, vaccines, microbicides, and diagnostics that target a range of infectious and neglected diseases, including HIV/AIDS, malaria, TB, Chagas disease, dengue fever, and visceral leishmaniasis.

While PDPs operate differently depending on their disease and product area(s) of focus, they typically employ a portfolio approach to R&D to accelerate product development by pursuing multiple strategies for the same disease area. They also work in close partnership with academia, large pharmaceutical companies, the biotechnology industry, and with regulatory and other Government agencies in developing countries.

PDPs are delivering on their promise to develop lifesaving products for use in countries where disease burdens are highest and no viable commercial markets exist. To date, PDPs have developed and licensed 19 products to combat neglected diseases in low- and middle-income countries. More can be expected from PDPs in the future with sustained and additional support: in 2012 PDPs had more than 374 biopharmaceutical, diagnostic, and vector-control candidates in various stages of development, including 23 in late-stage clinical trials. In the next 5 years, it is anticipated that several new technologies could be ready for use or in final stages of clinical development.

For example, six TB vaccine candidates are in clinical trials worldwide, including the first late-stage infant study of a TB vaccine in more than 80 years. There are also several new TB drug candidates in testing, which, if approved, would become the first new TB drugs in nearly 50 years. Also, a vaccine candidate and drug candidates are currently in clinical trials to prevent and treat visceral leishmaniasis, a neglected disease whose current treatments are costly and toxic. Additionally, two artemisinin combination therapies—the gold standard of malaria drug treatment—developed in part by the PDP Medicines for Malaria Venture have recently been approved for licensure and will be reaching those in need in the near future.

PDPs have seen remarkable success over the last decade; however they face significant and unique challenges, including management of complex multi-country clinical trials, which must be conducted in the regions where diseases are endemic, and the range of regulatory barriers that come with that challenge, including onerous application processes and lengthy reviews. Furthermore, global health product development can involve unprecedented regulatory hurdles in the United States. In these situations, early and frequent communication between regulators and product developers is essential to the quality and efficiency of the regulatory system.

FDA'S CRITICAL ROLE IN GLOBAL HEALTH PRODUCT REGULATION

The FDA has demonstrated through a number of recent actions that it can have an impact on the introduction of global health tools. These include:

—The FDA's program to review HIV/AIDS drugs delivered in the developing world through the U.S. President's Emergency Plan for AIDS Relief.
—The release of guidance documents that outlined the FDA's willingness to review vaccines and other products for diseases not endemic to the United States.
—The agency's partnership with global bodies, such as the World Health Organization (WHO), to enhance access to medicines for the developing world and assist other countries in bolstering their regulatory capacity.
—The FDA's Priority Review Voucher Program, which awards a voucher for future expedited product review to the sponsor of a newly approved drug or biologic that targets a neglected tropical disease (NTD).
—The FDA's Office of Critical Path Initiatives, which supports the development of regulatory science such as biomarkers and animal models to better evaluate and register new TB tools.
—The FDA's issuance of a guidance for testing new anti-TB drugs in combination, which accelerates the development of new, safe, and highly effective treatment regimens with shorter therapy durations.
—The FDA's release of a draft guidance for the development and regulation of vaginal microbicide products to prevent HIV.
—The FDA Center for Biologics Evaluation and Research issuance of a strategic plan for 2012–2016 that highlights FDA's international collaboration including research and information sharing.
—The recent release of the FDA's Strategic Plan for Regulatory Science, which promoted the task of reviewing and licensing products for global health as one of its main areas of work.

The FDA's efforts in these areas are to be applauded. The agency can and should continue to increasingly leverage its expertise to benefit the millions of people affected by infectious diseases around the world.

RECOMMENDATIONS

Support for global health research that saves lives around the world—while at the same time promoting innovation, creating jobs, and spurring economic growth at home—is unquestionably among the Nation's highest priorities. In keeping with this value, the GHTC respectfully requests that the committee do the following:

—Sustain and support U.S. investments in global health product development by robustly funding FDA to conduct its work, and encourage FDA to increase its capacity to provide technical advice to other regulatory bodies and review and license health products for diseases not usually endemic to the United States. The committee should also support FDA's authority to fund research and development for global health technologies, including but not limited to those created though the Critical Pathways Initiative.
—Instruct FDA to continue to build stronger partnerships with non-U.S. regulatory stakeholders, such as the WHO, including a formal arrangement with WHO allowing simultaneous reviews of global health products, thereby speeding access to much-needed new health tools worldwide.
—Request that FDA create an office of neglected diseases in the Office of the Commissioner to ensure that neglected diseases and global health issues are consistently elevated at the leadership level.
—Instruct the FDA to include the neglected tropical disease Chagas on the list of global health conditions for which FDA is legally allowed to review health products, if it has not already done so.
—Instruct FDA to report on its global health and neglected disease activities in its next report to Congress, scheduled for early 2013, to improve transparency and clarity.
—Instruct FDA to work with the Centers for Disease Control and Prevention, the National Institutes for Health, the Office of Global Affairs at the Health and

Humans Services, the U.S. Agency for International Development and State Department Office of Global Health Diplomacy and the Department of Defense to develop a 5-year cross-Government strategy for U.S. global health research and development funding and programming.

On behalf of the members of the GHTC, I would like to extend my gratitude to the committee for the opportunity to submit written testimony for the record.

[This statement was submitted by Kaitlin Christenson, Director, Global Health Technologies Coalition.]

Prepared Statement of the Housing Assistance Council (HAC)

The Housing Assistance Council (HAC) appreciates this opportunity to submit testimony regarding the U.S. Department of Agriculture (USDA) Rural Development budget for fiscal year 2014. HAC greatly appreciates the subcommittee's support for USDA rural housing programs in recent years' appropriations bills.

Since its creation in 1971, HAC has provided financing, information, and technical services to nonprofit, for-profit, public, and other providers of rural housing. Because HAC works closely with local organizations around the country, we know firsthand the challenges rural communities face.

During the current recession it is particularly important to support the rural housing programs administered by USDA Rural Development's Rural Housing Service (RD). The housing needs of low-income people in both urban and rural places predated the housing crash and will outlast it. RD's programs have a long history of success in meeting these needs, and can help rural America not only to recover from the recession, but also to move forward.

Almost one of every four homes in this country is located in a rural area. Over 7 million rural households—3-in-10—pay more than the Federal standard of 30 percent of their monthly income for housing. Most of these cost-burdened rural households have low incomes. At the same time, more than 30 percent of the Nation's housing units lacking hot and cold piped water are in rural and small town communities. Housing problems are often not isolated and in many cases are compounded by the combination of inadequacies related to affordability, housing quality, and crowding. Over half of rural and small town households with multiple problems of cost, quality, or crowding are renters. Minorities in rural areas are among the poorest and worst housed groups in the entire Nation, with much higher levels of inadequate housing conditions. Housing needs are particularly severe for certain rural places and populations including Native Americans, the Mississippi Delta, Appalachia, the colonias along the United States-Mexico border, and farmworkers. Complicating efforts to improve rural housing, many rural places lack strong, experienced nonprofit housing organizations.

Despite the needs, funding for USDA rural housing programs has decreased significantly in recent years. These reductions deprive rural Americans of the assistance they need to obtain decent, affordable homes.

HAC's specific recommendations for fiscal year 2014 appropriations are provided in table 1. By funding RD housing programs at these levels, the subcommittee would:

Support Continued Strong Direct Lending Programs for Single- and Multifamily Rural Housing Development.—RD's housing toolbox includes direct loan programs for homeownership and for development of rental housing, and loan guarantee programs for the same two purposes. The administration's budgets have consistently emphasized the guarantee programs because their costs are covered by fees to participants rather than by Federal spending. The guarantee programs cannot replace the direct programs, however, because they do not serve the same populations.

In 2011, homeowners receiving section 502 direct loans had an average income of $27,053, compared to $50,571 for owners with section 502 guaranteed loans. Similarly, the average income of tenants in developments financed with section 515 direct loans was $11,337 as of April 2012. No recent figure is available for tenants in properties with private loans guaranteed under USDA's section 538 program, but in 2005 the average income of tenants in section 538 developments was more than $10,000 higher than the average income for tenants in section 515 properties.

Support Self-Help "Sweat Equity" Housing.—The 2014 budget proposes to cut the small section 523 self-help housing account by two-thirds, from $30 million to $10 million. The program deserves better: it is an incredibly effective way to make homeownership accessible to low- and very low-income rural Americans. Groups of 8 to 10 families work together building their own and their neighbors' homes with up to 1,500 hours of sweat equity. Families provide 65 percent of the construction labor, spending long hours working on their houses in the evenings after work and on weekends. These extensive labor contributions mean that families have equity in their homes, and that the new owners know how to repair their houses, know their neighbors, and have a strong sense of community. In addition, a number of them use their on-the-job training to find new jobs in construction.

Enable the Section 515 Rental Program To Support Preservation of Existing Properties and Also Development of New Ones.—Affordable rental housing is scarce in many rural places, and new construction has dropped sharply over the last 20 years as section 515 funds have been cut. Rural housing organizations have made good use of section 538 guaranteed loans and Low Income Housing Tax Credits, but these resources alone cannot produce rentals affordable to the lowest income rural residents. Section 515 funds are also used to help preserve existing USDA-funded rental properties. The $28.4 million level in the administration's budget would fund preservation only; no new construction money would be available.

Provide Enough USDA Section 521 Rental Assistance To Renew All Expiring Contracts and To Fill the Gap in Fiscal Year 2013 Funding.—The cost of USDA's Rental Assistance (RA) program increases every year not only because rents are increasing, but also because more RA contracts are expiring—and therefore being renewed—every year. At one time RA contracts were 20 years long, with the entire cost of the contract charged to the agency's budget in the first year. Then contracts were shortened to 5 years and eventually to 1 year. Gradually, then, as old contracts expire and are renewed for 1 year at a time, an ever larger number of contracts must be renewed every year.

The budget proposes to increase RA funding, asserting that the proposed $1 billion will be enough to renew all RA contracts due to expire during fiscal year 2014. HAC has two concerns about the amount proposed. First, USDA has stated publicly that in fiscal year 2013, because of sequestration and the additional 2.5 percent cut to USDA programs, RD will run out of Rental Assistance funding during the month of September and will be unable to renew over 15,000 RA contracts. At a House Agriculture Appropriations Subcommittee hearing on April 24, USDA Deputy Under Secretary Doug O'Brien stated, in response to a question from Rep. Sam Farr, that the administration's fiscal year 2014 budget does not include enough to cover those contracts. Second, RD has not made data available that would enable others to make their own calculations about the amount needed to renew all expiring RA contracts in fiscal year 2014.

Full funding for RA is essential because tenants receiving RA are particularly vulnerable. The average income for section 515 residents with RA is less than $9,500 per year, compared to the already low $11,300 average for all section 515 tenants in USDA-financed rental housing. Sixty-one percent of section 515 tenants are elderly or disabled, most living on fixed incomes. Tenants in section 514/516 housing are farmworkers and their families, many of whom earn irregular and low wages.

Fund the Section 514/516 Farm Labor Housing Program for Construction of Needed New Units.—Housing problems such as substandard housing quality, crowding, and affordability issues are commonplace among migrant farmworkers who travel to follow crop seasons and labor demand, as well as those who reside in the same community year-round. RD farm labor housing funds are an important resource for developers, but funding has always been too low compared to the need.

Preserve and Revitalize Affordable Section 515 and 514 Rural Rental Housing.—These properties are aging, with many badly in need of repairs and renovations. At the same time, some owners want to prepay their mortgages and leave the section 515 program, often because they hope to convert their apartments to market-rate rentals. Federal intervention is needed. HAC recommends that Congress provide substantial funding for the Multi-Family Housing Revitalization (MPR) and Preservation Revolving Loan Fund (PRLF) programs. Created a few years ago as demonstration programs, MPR and PRLF have proven to be invaluable tools in preservation efforts. Congress should also continue to set aside $6 million in RA each year for debt forgiveness or RA payments as authorized by section 502(c). This set-aside gives USDA a degree of flexibility in using these funds that is not provided by section 521 but is essential for preservation efforts.

Continue Building the Capacity of Rural Housing Organizations To Meet Their Own Communities' Needs.—Mission-driven community organizations, primarily nonprofits, play an essential role in putting rural housing funds to work in rural places. To use rural housing programs effectively to improve housing and contribute to sustained economic recovery, a strong nonprofit presence is required. To support community-based nonprofit organizations, their employees, and their vital role, the Housing Assistance Council recommends an appropriation of $6.1 million in fiscal year 2014 for USDA's Rural Community Development Initiative (RCDI), which funds intermediary organizations that build organizational capacity for local housing organizations.

Capacity building for nonprofit rural housing providers is one of the recommendations made recently by the Bipartisan Policy Center's Housing Commission. The Commission's report, which devotes a chapter to rural housing, also recommends that housing policy "support and strengthen USDA's role in rural housing. USDA has a presence in rural communities that is critical for administering support to vulnerable households. . . . USDA is well-positioned to leverage the existing resources and infrastructure of rural service providers that understand the unique conditions of local markets."

Thank you for the opportunity to provide this testimony for the record. HAC asks the subcommittee, and the Congress, to support jobs, job training opportunities, asset building for hardworking low-income families, and preservation of past Federal investments in rural America, by supporting HAC's proposed fiscal year 2014 funding levels for USDA's rural housing programs.

TABLE 1.—HOUSING ASSISTANCE COUNCIL'S RECOMMENDED RURAL HOUSING PROGRAM FUNDING LEVELS

[In millions of dollars]

USDA Rural Development Program	Fiscal year—			
	2012 appropriation	2013 appropriation [1]	2014 administration's budget	2014 HAC recommendation
502 Single Fam. Direct	900	900	360	900
504 Very Low-inc. Rpr. Loans	10	28	26.3	28
504 Very Low-inc. Rpr. Grts.	29.5	29.5	25	29.5
515 Rental Hsg. Direct	64.5	31.3	28.4	64.5
514 Farm Labor Hsg. Loans	20.8	25.6	23.5	26
516 Farm Labor Hsg. Grts.	7.1	8.84	14	9
521 Rental Assistance [2]	904.7	907.1	1,015	1,015+
Preservation RA				(6)
New Constr. 515 RA	(1.5)			(1.5)
New Constr. 514/516 RA	(2.5)	(3)	(3)	(2.5)
523 Self-Help TA	30	30	10	30
533 Hsg. Prsrv. Grants	3.6	3.6		3.6
Rental Prsrv. Demo. (MPR)	2	17.8	20	27.8
Rental Prsrv. Revlg. Lns.				1.8
Rural Cmnty. Dev't Init.	3.6	6.1		6.1

[1] Figures shown do not include 5 percent sequester and 2.5 percent across the board reduction.
[2] Amounts in parentheses are included in the Rental Assistance totals.

[This statement was submitted by Moises Loza, Executive Director, Housing Assistance Council.]

PREPARED STATEMENT OF THE HOUSING DEVELOPMENT ALLIANCE, INC. (HDA)

On behalf of Housing Development Alliance, Inc. and the communities we serve, I wish to thank the subcommittee for the opportunity to submit testimony on fiscal year 2014 appropriations for the Department of Agriculture (USDA) Rural Housing Programs. Since 2010, U.S. Department of Agriculture (USDA) Rural Housing programs have been cut by nearly $400 million. Further cuts to Rural Housing programs proposed by the administration's budget request are unwise and unwarranted. As such, I urge this subcommittee to fund USDA Rural Housing programs at the higher of the President's fiscal year 2014 budget request or fiscal year 2013 levels, prior to sequestration, including: (1) $900 million for Section 502 Direct Homeownership Loans; (2) $28 million for Section 504 Very-Low Income Rural Housing Repair Loans; and (3) $29.5 million for Section 504 Very-Low Income Rural Housing Repair Grants.

Housing Development Alliance, Inc. (HDA) serves Perry, Knott, Leslie and Breathitt Counties in Kentucky. These are among four of the poorest counties in the Nation, with poverty rates ranging from 24 percent to over 33 percent. In these four counties, over 12,650 households have annual incomes of less than $25,000, including over 5,100 households with incomes less than $10,000. Furthermore, these counties suffer from persistent poverty (having more than 20 percent of population in poverty for more than five decades) which has resulted in a poor housing stock and a broken housing market. In short, our community has a critical need for safe, decent and affordable housing.

Since 1996, the Housing Development Alliance has constructed 90 new homes which were sold to qualified low and very-low income homebuyers who received financing through the Section 502 Single Family Direct Loan Program. In this same period, the Housing Development Alliance has repaired nearly 180 homes using Section 504 Loan and Grants. These programs often serve the poorest of the poor. In fact, the average annual income of our Section 502 Direct Loan homebuyers was $14,252 and the average annual income of our Section 504 Loan and Grant repair client was $10,660 per year.

In many cases the living conditions of the households prior to receiving assistance are deplorable. These homes often lack an adequate heat source; have little or no insulation; often have major structural defects including collapsing foundations, rotting floors and walls and leaking roofs; have unsafe electrical wiring; and lack complete plumbing. For example recently the Housing Development Alliance encountered an elderly woman whose gas water heater was spewing potentially deadly levels of carbon monoxide into her home and another elderly woman whose tub/shower was not hooked to the sewer and was draining directly under her home.

However, the benefits of these programs are not limited to just to the households purchasing the new home or receiving the affordable home repair. The programs provide jobs and other needed economic activity to our community. For example, in 2011, seven homes were constructed and financed in part by the Section 502 Single Family Direct Loan Program. Using the National Association of Home Builders' estimate that each home constructed creates/preserve 3 construction jobs, in 2011 the Housing Development Alliance's use of Section 502 Direct Loans created/preserved 21 construction jobs. Even more jobs were created or preserved through our use of the Section 504 Repair Loans and Grants which funded 14 home repairs.

While these numbers may seem modest, as they are repeated in rural communities throughout America these programs have a huge impact on jobs in rural America.

Furthermore the Section 502 Single Family Direct Loan Program is the most cost-effective Federal housing program. Despite serving low and very-low income households, the average lifetime cost of a Section 502 Single Family Direct Loan is just $3,000, while the average cost of Section 8 Housing Assistance is nearly $7,000 per year. This low cost is due in part to the fact that Section 502 Direct portfolio maintains an excellent repayment history with a foreclosure rate of just over 4 percent.

The administration and others have suggested that the Section 502 Guarantee Program is a suitable alternative to the Section 502 Direct Loan Program; this is simply not true in our community. We completed a study of our 502 Direct Loan Program recipients and found that only 1 out 10 would have been able to afford the higher interest cost associated with a Section 502 Guarantee Loan.

Thank you again for the opportunity to provide testimony on the critically important programs. Without adequate funding for these programs low income households will remained trapped in substandard, if not outright deplorable, housing and construction and other related jobs will be lost across rural America.

[This statement was submitted by R. Scott McReynolds, Executive Director, Housing Development Alliance, Inc.]

Prepared Statement of the Humane Society of the United States (HSUS)

As the largest animal protection organization in the country, we appreciate the opportunity to provide testimony to your subcommittee on fiscal year 2014 items of great importance to The Humane Society of the United States (HSUS). In this testimony, we request the following assistance for the following USDA accounts:

—APHIS/Animal Welfare Act Enforcement—$28,203,000;

—APHIS/Horse Protection Act Enforcement—$893,000;

—APHIS/Investigative and Enforcement Services—$16,350,000;

—FSIS/Horse Slaughter—language mirroring fiscal year 2013 House committee bill provision;

—FSIS/Humane Methods of Slaughter Act Enforcement—language directing FSIS to ensure that inspectors hired with funding previously specified for Humane Methods of Slaughter Act enforcement focus their attention on overseeing compliance with humane handling rules for live animals as they arrive and are offloaded and handled in pens, chutes, and stunning areas, and that they receive robust national training, including on the Regulatory Essentials, Humane Animal Tracking System, and Public Health Information System;

—OIG/including Animal Fighting Enforcement—$89,902,000;

—NIFA/Veterinary Medical Services Act—$4,790,000;

—APHIS/Emergency Management Systems/Disaster Planning for Animals—$1,017,000; and

—APHIS/Wildlife Services Damage Management—reduce by $13 million.

At this time of intense budget pressure, we thank you for your outstanding past support for enforcement of key animal welfare laws by the U.S. Department of Agriculture, and we urge you to sustain this effort in fiscal year 2014. While we understand the focus on reducing Federal spending, we believe there should be room for careful decisionmaking within the budget to achieve macro-level cuts and at the same time ensure adequate funding for specific accounts that are vital and have previously been underfunded.

Your leadership is making a difference, helping to protect the welfare of millions of animals across the country and upholding the values of the American public. As you know, better enforcement also directly benefits American citizens by: (1) preventing the sale of unhealthy pets from unlawful commercial breeders, commonly referred to as "puppy mills"; (2) improving laboratory conditions that may otherwise impair the scientific integrity of animal-based research; (3) reducing risks of disease transmission from, and dangerous encounters with, wild animals in or during public exhibition; (4) minimizing injury, loss, and death of pets on commercial airline flights due to mishandling and exposure to adverse environmental conditions; (5) decreasing food safety risks to consumers from sick animals who can transmit illness, and injuries to slaughterhouse workers from suffering animals; and (6) dismantling orchestrated dogfights and cockfights that often involve illegal gambling, drug trafficking, human violence, and can contribute to the spread of costly illnesses such as bird flu. In order to continue the important work made possible by the committee's prior support, we request the following for fiscal year 2014:

ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)/ANIMAL WELFARE ACT (AWA) ENFORCEMENT

We request that you support the President's request of $28,203,000 for AWA enforcement under APHIS. We commend the committee for responding in recent years to the urgent need for increased funding for the Animal Care Division. The funding has helped improve inspections by Animal Care of approximately 27,916 sites (more than double last year's number), including commercial breeding facilities, laboratories, zoos, circuses, and airlines, to ensure compliance with AWA standards. In May 2010, USDA's Office of Inspector General released a report criticizing the agency's history of lax oversight of dog dealers, finding that inhumane treatment and horrible conditions often failed to be properly documented and yielded little to no enforcement actions. While Agriculture Secretary Vilsack called for more inspections and a tougher stance on repeat offenders, the agency must have the resources to follow through on that commitment. USDA is also implementing a new responsibility created by Congress in 2008—enforcing a ban on imports from foreign puppy mills where puppies are mass produced under inhumane conditions and forced to endure harsh long-distance transport. And as indicated in the President's fiscal year 2014 budget, USDA anticipates needing adequate resources to enforce the imminent Animal Welfare Act retail pet store rule, which will close a loophole for pets being sold over the Internet, by phone, and by mail that are currently exempt from the regulatory process. The requested funding levels will help support these important regulatory efforts. Animal Care currently has 127 inspectors (with 11 vacancies), compared to 64 inspectors at the end of the 1990s. An appropriation at the requested level would help the agency continue to address the concerns identified by the OIG, enforce the new puppy import ban and the retail pet store rule, and provide adequate oversight of the many licensed/registered facilities.

APHIS/HORSE PROTECTION ACT (HPA) ENFORCEMENT

We request that you support the President's request of $893,000 for strengthened enforcement of the Horse Protection Act. Congress enacted the HPA in 1970 to make illegal the abusive practice of "soring," in which unscrupulous trainers use a variety of methods to inflict pain on sensitive areas of Tennessee Walking Horses' hooves and legs to exaggerate their high-stepping gait and gain unfair competitive advantage at horse shows. For example, caustic chemicals—such as mustard oil, diesel fuel, and kerosene—are painted on the lower front legs of a horse, then the legs are wrapped for days in plastic wrap and tight bandages to "cook" the chemicals deep into the horse's flesh, and then heavy chains are attached to slide up and down the horse's sore legs. Though soring has been illegal for 40 years, the well-intentioned but seriously understaffed APHIS inspection program has been unable to rein in this cruel practice, particularly given the inherent conflicts of interest in the industry self-policing system established to supplement Federal enforcement. A report released in October 2010 by USDA's Office of Inspector General documents these problems and calls for increased funding to enable the agency to more adequately oversee the law. Several horse show industry groups, animal protection groups, and the key organization of equine veterinarians have also called for funding increases to enable the USDA to do a better job enforcing this law. To meet the goal of the HPA, Animal Care inspectors must be present at more shows. Exhibitors who sore their horses go to great lengths to avoid detection—even fleeing shows when USDA inspectors arrive. With current funding Animal Care is able to attend only about 10 percent of the more than 500 Tennessee Walking Horse shows held annually. We greatly appreciated the enactment of a modest increase for Horse Protection Act enforcement in fiscal year 2012 (bringing the budget for this to $696,000), the first time in decades that the program received more than $500,000. An appropriation at the requested level will help ensure that this program doesn't lose ground but instead builds on that crucial first step in addressing the need for additional inspectors, training, security—for threats of violence against inspectors—and advanced detection equipment.

APHIS/INVESTIGATIVE AND ENFORCEMENT SERVICES

We request that you support the President's request of $16,350,000 for APHIS Investigative and Enforcement Services (IES). We appreciate the committee's consistent support for this division. IES handles many important responsibilities, including the investigation of alleged violations of Federal animal welfare laws and the initiation of appropriate enforcement actions. The volume of animal welfare cases is rising significantly. An appropriation at the requested level would enable the agency to keep pace with the additional enforcement workload.

FOOD SAFETY AND INSPECTION SERVICE (FSIS)/HORSE SLAUGHTER

We request inclusion of the same language barring USDA from the expenditure of funds for horse slaughter inspections as was included in the House committee's fiscal year 2013 Agriculture Appropriations bill. This provision is vital to prevent renewed horse slaughter activity in this country, particularly in light of the recent scandal involving horse meat found in other food products. Horse slaughter is cruel and poses serious public health risks. American horses are raised to be companions, athletes and work horses, and they are often treated with drugs, both legal and illegal, that can endanger the food supply. There is currently no system in the United States to track drugs and veterinary treatments given to horses to ensure that their meat is safe for human consumption. In addition to the public health concerns associated with the consumption of horsemeat, horse slaughter is inherently inhumane and cannot be made humane for horses. The methods used to kill horses rarely result in quick, painless deaths, as horses are skittish animals and often endure repeated blows to make them unconscious, sometimes remaining conscious during the slaughtering process. USDA reports show that over 92 percent of horses going to slaughter are healthy and could have gone on to lead productive lives. However, "killer buyers" profit by selling horsemeat from healthy horses that bring the best price per pound for their meat, and they frequently outbid rescue groups at auctions. Inclusion of language to bar the expenditure of funds on horse slaughter inspections would protect consumers and horses, and would prevent the needless waste of American taxpayer dollars (particularly at a time when budget pressures are so great) on a practice that 80 percent of the American public opposes.

FSIS/HUMANE METHODS OF SLAUGHTER ACT ENFORCEMENT

We request language to ensure strengthened HMSA enforcement. We appreciate the committee's inclusion of language in the fiscal year 2013 committee report regarding humane slaughter. USDA oversight of humane handling rules for animals at slaughter facilities is vitally important not only for animal welfare but also for food safety. Effective day-to-day enforcement can prevent abuses like those previously documented in undercover investigations, and reduce the chance of associated food safety risks and costly recalls of meat and egg products. We therefore urge inclusion of language directing FSIS to ensure that inspectors hired with funding previously provided specifically for Humane Methods of Slaughter Act enforcement focus their attention on overseeing compliance with humane handling rules for live animals as they arrive and are offloaded and handled in pens, chutes, and stunning areas, and that they receive robust national training, including on the Regulatory Essentials, Humane Animal Tracking System, and Public Health Information System.

OFFICE OF INSPECTOR GENERAL/ANIMAL FIGHTING ENFORCEMENT

We request that you support the President's request of $89,902,000 for the Office of Inspector General (OIG) to maintain staff, ensure effectiveness, and allow investigations in various areas, including enforcement of animal fighting laws. We appreciate the committee's inclusion of funding and language in recent years for USDA's OIG to focus on animal fighting cases. Congress first prohibited most interstate and foreign commerce of animals for fighting in 1976, tightened loopholes in the law in 2002, established felony penalties in 2007, and further strengthened the law as part of the 2008 farm bill. We are pleased that USDA is taking seriously its responsibility to enforce this law. Its work with State and local agencies to address these barbaric practices, in which animals are drugged to heighten their aggression and forced to keep fighting even after they've suffered grievous injuries, is commendable. Dogs bred and trained to fight endanger public safety, and some dogfighters steal pets to use as bait for training their dogs. Also, in 2002–2003 cockfighting was linked to an outbreak of Exotic Newcastle Disease that cost taxpayers more than $200 million to contain. Cockfighting has further been linked to the death of a number of people in Asia reportedly exposed to bird flu. Given the potential for further costly disease transmission, as well as the animal cruelty involved, we believe it is a sound investment for the Federal Government to increase its efforts to combat illegal animal fighting activity. We also support the OIG's auditing and investigative work to improve compliance with the Animal Welfare Act, the Horse Protection Act, and the Humane Methods of Slaughter Act and downed animal rules.

NATIONAL INSTITUTE OF FOOD AND AGRICULTURE/VETERINARY MEDICAL SERVICES ACT

We request that you support the President's request of $4,790,000 to continue the implementation of the National Veterinary Medical Service Act (Public Law 108–161). We appreciate that Congress is working to address the critical maldistribution of veterinarians practicing in rural and inner-city areas, as well as in Government positions at FSIS and APHIS. A 2009 Government Accountability Office report enumerating the challenges facing veterinary medicine identified that an inadequate number of veterinarians to meet national needs is among the foremost challenges. Having adequate veterinary care is a core animal welfare concern. To ensure adequate oversight of humane handling and food safety rules, FSIS must be able to fill vacancies in inspector positions. Veterinarians support our Nation's defense against bioterrorism. The Centers for Disease Control estimates that 75 percent of potential bioterrorism agents are zoonotic—transmitted from animals to humans. Veterinarians are also on the front lines addressing public health problems such as those associated with pet overpopulation, parasites, rabies, chronic wasting disease, and bovine spongiform encephalopathy—"mad cow" disease. Veterinary school graduates face a crushing debt burden of $151,672 on average, with an average starting salary of $65,404. For those who choose employment in underserved rural or inner-city areas or public health practice, the National Veterinary Medical Service Act authorizes the Secretary of Agriculture to repay student debt. It also authorizes financial assistance for those who provide services during Federal emergency situations such as disease outbreaks.

APHIS/EMERGENCY MANAGEMENT SYSTEMS/DISASTER PLANNING FOR ANIMALS

We request that you support the President's request of $1,017,000 for Animal Care under APHIS' Emergency Management Systems line item. Hurricanes Katrina and Rita demonstrated that many people refuse to evacuate if they are forced to leave their pets behind. The Animal Care Division develops infrastructure to help prepare for and respond to animal issues in a disaster and incorporate lessons learned from previous disasters. Funds are used for staff time and resources to support the efforts of State, county and local governments and humane organizations to plan for protection of people with animals. They also enable the agency to participate, in partnership with FEMA, in the National Response Plan without jeopardizing other Animal Care programs.

APHIS/WILDLIFE SERVICES DAMAGE MANAGEMENT

We request that funding be reduced for Wildlife Services Damage Management by $13 million, the estimated USDA annual expenditure on lethal predator control to protect livestock. In light of the desire for deficit reduction, this is a wasteful subsidy that needs to be terminated. Under its "livestock protection" program, Wildlife Services provides taxpayer-subsidized wildlife extermination services to private agribusiness. USDA data show that less than 1 percent of livestock are killed by predators. Livestock producers and property owners—not U.S. taxpayers—should be financially responsible for protecting their property from damage attributed to wildlife. Expensive lethal control methods used by Wildlife Services such as aerial gunning, poisoning, and trapping are indiscriminate and ineffective, often killing non-target species including endangered species protected by Federal law and companion animals. Common sense non-lethal methods like the use of guard animals (e.g., llamas, dogs), lighting, penning, and good animal husbandry practices like shepherding are cheaper and have proven more effective in reducing predation to livestock. Ranchers have no incentive to use these methods if the Federal Government continues to pay for unlimited lethal control. By cutting this wasteful and unnecessary program, we will ensure that U.S. taxpayers stop subsidizing lethal wildlife control for the benefit of private livestock producers and property owners.

Again, we appreciate the opportunity to share our views and priorities for the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriation Act for Fiscal Year 2014. We are so grateful for the committee's past support, and hope you will be able to accommodate these modest requests to address some very pressing problems affecting millions of animals in the United States. Thank you for your consideration.

[This statement was submitted by Mimi Brody, Director of Federal Affairs, The Humane Society of the United States.]

PREPARED STATEMENT OF THE HUMANE SOCIETY OF THE UNITED STATES (HSUS)—EQUINE PROTECTION

On behalf of the undersigned horse industry and animal welfare organizations, and former Senator Joseph Tydings, we submit the following testimony seeking funding for the USDA/APHIS Horse Protection Program of $893,000 for fiscal year 2014. We recognize that Congress is focused on the imperative of cutting Federal spending. But we believe that it should be possible to achieve meaningful reductions in the overall budget while still addressing shortfalls in very specific accounts that are vital and have been seriously underfunded. This $893,000 is urgently needed to begin to fulfill the intent of the Horse Protection Act—to eliminate the cruel practice of soring—by allowing the USDA to strengthen its enforcement capabilities for this law.

In 1970, Congress passed the Horse Protection Act to end soring, the intentional infliction of pain to the hooves and legs of a horse to produce an exaggerated gait, practiced primarily in the Tennessee Walking Horse show industry.

For example, caustic chemicals—such as mustard oil, diesel fuel, and kerosene—are painted on the lower front legs of a Tennessee Walking Horse, then the legs are wrapped for days in plastic wrap and bandages to "cook" the chemicals deep into the horse's flesh. This makes the horse's legs extremely painful and sensitive, and when ridden, the horse is fitted with chains that slide up and down the horse's sore legs, forcing him to produce an exaggerated, high-stepping gait in the show ring. Additional tactics include inserting foreign objects such as metal screws or hard acrylic between a heavy stacked shoe and the horse's hoof; pressure shoeing—cutting a horse's hoof down to the sensitive live tissue to cause extreme pain every time the horse bears weight on the hoof; and applying painful chemicals such as salicylic acid to slough off scarred tissue, in an attempt to remove evidence of soring.

The Horse Protection Act authorizes the USDA to inspect Tennessee Walking Horses, Racking Horses, and Spotted Saddle Horses—in transport to and at shows, exhibits, auctions and sales—for signs of soring, and to pursue penalties against violators. Unfortunately, since its inception, enforcement of the act has been plagued by underfunding. As a result, the USDA has never been able to adequately enforce the act, allowing this extreme and deliberate cruelty to persist on a widespread basis.

The most effective way to eliminate soring and meet the goals of the act is for USDA officials to be present at more shows. However, limited funds allow USDA attendance at only about 10 percent of Tennessee Walking Horse shows. So the agency set up an industry-run system of certified Horse Industry Organization (HIO) inspection programs, which are charged with inspecting horses for signs of soring at the majority of shows. These groups license examiners known as Designated Qualified Persons (DQPs) to conduct inspections. To perform this function, some of these organizations hire industry insiders who have an obvious stake in preserving the status quo. Statistics clearly show that when USDA inspectors are in attendance to oversee shows affiliated with these organizations, the numbers of noted violations are many times higher than at shows where industry inspectors alone are conducting the inspections. By all measures, the overall DQP program as a whole has been a failure—the only remedy is to abolish the conflicted industry-run inspection programs charged with self-regulation and give USDA the resources it needs to adequately enforce the act.

USDA appears to have attempted to step up its enforcement efforts in recent years, and has begun to work with the Department of Justice in prosecuting criminal cases as provided for under the act. In 2011, a Federal prosecutor sought the first-ever criminal indictments under the act and as a result, a well-known, winning trainer in the Spotted Saddle Horse industry served a prison sentence of over 1 year. A former Walking Horse Trainers' Association Trainer of the Year and winner of the Tennessee Walking Horse World Grand Championship was indicted in 2012 on 52 counts (18 of them felony) of violating the act and pleaded guilty to felony conspiracy to violate the act.

While these are significant actions which should have a deterrent effect, there are many other violators who go undetected, and many cases which go unprosecuted due to a lack of resources. USDA needs enhanced resources to carry out its responsibilities under this act, as Congress, and the public, expects.

In years past, inspections were limited to physical observation and palpation by the inspector. Protocols for the use of new technologies, such as thermography and "sniffer" devices (gas chromatography/mass spectrometry—or GC/MS—machines), have been implemented, which can help inspectors identify soring more effectively and objectively. The results of USDA's recent GC/MS testing for prohibited foreign substances used by violators on the legs of horses (either to sore them, or to mask underlying soring and evade detection by inspectors) are staggering: 97.6 percent of the samples taken at various Tennessee Walking Horse competitions in 2011 tested positive for illegal foreign substances, and 86 percent tested positive in 2010.

Effective though this inspection protocol may be, due to budget constraints, USDA has been unable to purchase and put enough of this testing into use in the field, allowing for industry players to continually evade detection. In 2011, USDA was able to afford to collect and test samples at only three of the industry's largest shows; in 2010, only five. With increased funding, the USDA could purchase more equipment and dispatch more inspectors to use it properly, greatly increasing its ability to enforce the HPA.

Currently, when USDA inspectors arrive at shows affiliated with some industry organizations, many of the exhibitors load up and leave to avoid being caught with sored horses. While USDA could stop these trailers on the way out, agency officials have stated that inspectors are wary of going outside of their designated inspection area, for fear of harassment and physical violence from exhibitors. Armed security is frequently utilized to allow such inspections, at additional expense to this program. The fact that exhibitors feel they can intimidate Government officials without penalty is a testament to the inherent shortcomings of the current system.

Lack of a consistent presence by USDA officials at events featuring Tennessee Walking Horses, Racking Horses, and Spotted Saddle Horses has fostered a cavalier attitude among industry insiders, who have not stopped their abuse, but have only become more clandestine in their soring methods. The continued use of soring to gain an advantage in the show ring has tainted this segment of the horse industry, and creates an unfair advantage for those who are willing to break the law in pursuit of victory. Besides the indefensible suffering of the animals themselves, the continued acceptance of sored horses in the show ring prevents those with sound horses from competing fairly for prizes, breeding fees and other financial incentives, while those horse owners whose horses are sored may unwittingly suffer property damage and be duped into believing that their now abused, damaged horses are naturally superior.

The egregious cruelty of soring is not only a concern for horse industry and animal protection organizations, but also for veterinarians. In 2008, the American Association of Equine Practitioners (AAEP) issued a white paper condemning soring, calling it "one of the most significant welfare issues faced by the equine industry." It called for the abolition of the DQP Program, saying "the acknowledged conflicts of interest which involve many of them cannot be reasonably resolved, and these individuals should be excluded from the regulatory process." The AAEP further stated, "The failure of the HPA to eliminate the practice of soring can be traced to the woefully inadequate annual budget . . . allocated to the USDA to enforce these rules and regulations."

The USDA Office of Inspector General conducted an audit of the Horse Protection Program, and issued its final report in September 2010. The report recommends the abolition of the DQP program, and an increase in funding for APHIS enforcement of the Horse Protection Act. The agency concurred with the findings and recommendations in the report, specifically recommendation 2: "Seeking the necessary funding from Congress to adequately oversee the Horse Protection Program," indicating that it would develop a budgeting and staffing plan to phase in the resources needed to adequately oversee the Horse Protection Program.

It is unacceptable that more than 40 years after passage of the Horse Protection Act, the USDA still lacks the resources needed to end this extreme form of abuse. It is time for Congress to give our public servants charged with enforcing this act the support and resources they want and need to fulfill their duty to protect these horses as effectively and safely as possible.

We appreciate the opportunity to share our views about this serious problem, and thank you for your consideration of our request.

Sincerely,

KEITH DANE,
Director of Equine Protection, The Humane Society of the United States.

FORMER U.S. SENATOR JOSEPH TYDINGS,
Original Sponsor of the Horse Protection Act.

LORI NORTHRUP,
President, Friends of Sound Horses, Inc.

CHRIS HEYDE,
Deputy Director, Government and Legal Affairs, Animal Welfare Institute.

NANCY PERRY,
Senior Vice President, Government Relations, American Society for the Prevention of Cruelty to Animals (ASPCA).

ROBIN LOHNES,
Executive Director, American Horse Protection Association.

SHELLEY SAWHOOK,
President, American Horse Defense Fund.

GAYLE MILLER,
President, Plantation Walking Horses of Maryland.

KAREN BROWN,
Director of Programs, Red Rover.

KAREN AYRES,
President, National Plantation Walking Horse Association.

SUSAN CROTTY,
President, Plantation Walking Horse Association of California.

IAN WALKER,
President, United Pleasure Walking Horse Association.

GINA VEHIGE,
Gaitway Walking Horse Association.

BONNIE YEAGER,
President, International Pleasure Walking Horse Registry.

SHARON HALPIN,
SHO—Sound Horse Outreach.

PENNY AUSTIN,
President, One Horse At a Time, Inc. Horse Rescue.

KRISTIN HERMAN, M.D.,
President, Northern California Walking Horse Association.

BOB KUYKENDALL,
Tennessee Walking Horse Association of Oklahoma.

CRIS VAN HORN,

President, Pure Pleasure Gaited Horse Association.
RICK BRIGHTON,
President, Northwest Gaited Horse Club.
WALTER FARNHOLTZ,
President, New York State Plantation Walking Horse Club.
MICHELE MCGUIRE,
Northwest Pleasure Tennessee Walking Horse Association.

[This statement was submitted by Keith Dane, Director of Equine Protection, The Humane Society of the United States, on behalf of the undersigned horse industry and animal welfare organizations and former Senator Joseph Tydings, regarding fiscal year 2014 funding for enforcement of the Horse Protection Act.]

PREPARED STATEMENT OF THE IZAAK WALTON LEAGUE OF AMERICA (IWLA)

The Izaak Walton League of America appreciates the opportunity to submit testimony concerning appropriations for fiscal year 2014 for various agencies and programs under the jurisdiction of the subcommittee. The League is a national, nonprofit organization founded in 1922. We have more than 41,000 members and 250 community-based chapters nationwide.

Our members are committed to advancing common sense policies that safeguard wildlife and habitat, support community-based conservation, and address pressing environmental issues. The League has partnered with farmers and participated in agriculture policy development since the 1930s. The following pertains to conservation programs administered by the U.S. Department of Agriculture.

The Food, Conservation, and Energy Act of 2008 (farm bill) was enacted with a prominent commitment to increased mandatory conservation spending. It was bipartisan and supported by more than a thousand diverse organizations engaged in farm bill policy. This commitment represents a long-term investment in conservation programs that preserve and protect the resources critical not only to the environment but also to the long term productivity of agricultural lands.

Unfortunately, this investment is being squandered. Since the passage of the 2008 farm bill, approximately $3.2 billion has been cut from mandatory conservation program funding levels. Although we recognize that spending cuts were and continue to be necessary to put the Nation's fiscal house in order, a disproportionate share of farm bill program cuts have come from conservation programs. Nearly 77 percent of cuts from mandatory farm bill programs since the passage of the 2008 farm bill came from conservation programs.

We urge the subcommittee to maintain the mandatory spending levels for conservation programs as provided in the 2008 farm bill. If changes in mandatory program spending (CHIMPS) are necessary to meet deficit reduction goals, those cuts should be distributed proportionately among all farm bill titles.

Furthermore, repeated annual cuts to the Wetlands Reserve Program (WRP), the Conservation Stewardship Program (CSP) and other mandatory conservation programs have created huge backlogs among qualified landowners seeking to enroll in those programs. This failure to enroll qualified producers in a timely fashion results in needless delays in getting conservation practices implemented that protect water, land and other vital natural resources. The League strongly opposes cuts to these critical natural resource conservation programs.

Additionally, the effective implementation of farm bill conservation programs depends upon adequate technical resources to work with landowners in addressing their unique environmental concerns. Although conservation programs are available, under-investment in technical assistance limits agency support to assist farmers and ranchers in selecting and optimizing appropriate programs for their operations. The technical expertise of the Natural Resource Conservation Service and partners that assist in the delivery of programs directly to landowners is necessary for the adoption and maintenance of conservation practices. We request that the subcommittee support the levels of conservation program funding as provided in the 2008 farm bill to enable robust technical resources to implement those programs successfully.

Finally, the League remains hopeful that a new farm bill will be enacted in 2013. Authority for the Conservation Reserve Program (CRP) and funding for both the Grasslands Reserve Program (GRP) and the Wetlands Reserve Program (WRP) expire on September 30, 2013. If a new farm bill is not passed by the end of fiscal year 2013, we request that the Appropriations Committee explore alternative funding mechanisms for these and the numerous other title II Conservation programs that were de-authorized as a result of the expiration of the 2008 farm bill.

We appreciate the opportunity to testify in strong support of fully funding agricultural conservation programs.

[This statement was submitted by Bill Wenzel, Director, Agriculture Program, Izaak Walton League of America.]

Prepared Statement of the Little Dixie Community Action Agency, Inc. (LDCAA)

Since 2010, U.S. Department of Agriculture (USDA) Rural Housing programs have been cut by nearly $400 million. Further cuts to Rural Housing programs proposed by the administration's budget request are unwise and unwarranted. On behalf of Little Dixie Community Action Agency, Inc. (LDCAA), I strongly urge this subcommittee to fund USDA Rural Housing programs at the higher of the President's fiscal year 2014 budget request or fiscal year 2013 levels, prior to sequestration, including: (1) $900 million for Section 502 Direct Homeownership Loans and (2) $30 million for Section 523 Self-Help Housing Program.

SECTION 502 SINGLE FAMILY DIRECT LOAN PROGRAM

The Section 502 Direct Loan program has far exceeded any other Federal homeownership program in terms of successful outcomes. No other Federal program can equal the profile of families served: approximately 60 percent of the families receiving Section 502 Direct Loans have incomes of less than 60 percent of the median income, and 40 percent of families participating in the program have incomes that do not exceed 50 percent of the median income.

Despite serving families with limited economic means, the Section 502 Direct Loan program is the most cost effective affordable housing program in the Federal Government. In fiscal year 2012, the total per unit cost for a homeownership loan to a low-income family was about $3,000, over the entire lifetime of the loan. This is far less than the annual cost of other Federal housing assistance programs.

SECTION 523 MUTUAL SELF-HELP HOUSING PROGRAM

Currently, more than 100 organizations across America participate in the Section 523 Mutual Self-Help Housing program. These organizations unite groups of 8 to 10 families who work collectively to build each family's home. They perform approximately 65 percent of the overall construction labor. This "sweat equity" results in each homeowner earning and gaining equity in their homes. It also makes a significant investment in their community, often resulting in the building of homes and neighborhoods together. And, despite the fact that Self-Help Housing families constitute the lowest incomes of participants in the Section 502 Direct Loan portfolio, data demonstrates that these families prove to have the lowest rates of default and delinquency.

For the past 3 years, Self-Help Housing organizations have constructed almost 3,500 homes. This construction has in turn led to more than 11,000 jobs, more than $738 million in local income and $77 million in taxes and revenue in rural communities across the Nation, as evidenced from economic impact numbers from the National Association of Homebuilders.

[This statement was submitted by Joan Edge, Program Director, T&MA Contractor Department, Little Dixie Community Action Agency, Inc.]

Prepared Statement of the Metropolitan Water District of Southern California (MWD)

The Metropolitan Water District of Southern California (Metropolitan) encourages the subcommittee's support for fiscal year 2014 Federal funding of $18 million from the U.S. Department of Agriculture's Environmental Quality Incentives Program for the Colorado River Basin Salinity Control Program (Program).

The concentrations of salts in the Colorado River cause approximately $376 million in quantified damages in the lower Colorado River Basin States each year and significantly more in unquantified damages. Salinity concentrations of Colorado River water are lower than at the beginning of Program activities by over 100 milligrams per liter (mg/L). Modeling by the U.S. Bureau of Reclamation indicates that the quantifiable annual damages would rise to $577 million by the year 2030 without continuation of the Program.

Water imported via the Colorado River Aqueduct has the highest level of salinity of all of Metropolitan's sources of supply, averaging around 630 mg/L since 1976, which leads to economic damages. For example, damages occur from:

—a reduction in the yield of salt sensitive crops and increased water use for leaching in the agricultural sector;

—a reduction in the useful life of galvanized water pipe systems, water heaters, faucets, garbage disposals, clothes washers, and dishwashers, and increased use of bottled water and water softeners in the household sector;

—an increase in the cost of cooling operations, and the cost of water softening, and a decrease in equipment service life in the commercial sector;

—a decrease in the life of treatment facilities and pipelines in the utility sector;

—difficulty in meeting wastewater discharge requirements to comply with National Pollutant Discharge Elimination System permit terms and conditions, and an increase in desalination and brine disposal costs due to accumulation of salts in groundwater basins, and fewer opportunities for recycling due to groundwater quality deterioration; and

—increased cost of desalination and brine disposal for recycled water.

Concern over salinity levels in the Colorado River has existed for many years. To deal with the concern, the International Boundary and Water Commission signed Minute No. 242, Permanent and Definitive Solution to the International Problem of the Salinity of the Colorado River in 1973, and the President signed into law the Colorado River Basin Salinity Control Act in 1974. High total dissolved solids in the Colorado River as it entered Mexico and the concerns of the seven Colorado River Basin States regarding the quality of Colorado River water in the United States drove these initial actions. To foster interstate cooperation and coordinate the Colorado River Basin States' efforts on salinity control, the seven Basin States formed the Colorado River Basin Salinity Control Forum.

The salts in the Colorado River system are indigenous and pervasive, mostly resulting from saline sediments in the Basin that were deposited in prehistoric marine environments. They are easily eroded, dissolved, and transported into the river system, and enter the river through both natural and anthropogenic sources.

The Program reduces salinity by preventing salts from dissolving and mixing with the river's flow. Irrigation improvements (sprinklers, gated pipe, lined ditches) and vegetation management reduce the amount of salt transported to the Colorado River. Point sources such as saline springs are also controlled. The Federal Government, Basin States, and contract participants spend over $40 million annually on salinity control programs.

The Program, as set forth in the act, benefits the Upper Colorado River Basin water users through more efficient water management, increased crop production, benefits to local economies through construction contracts, and through environmental enhancements. The Program benefits the Lower Basin water users, hundreds of miles downstream from salt sources in the Upper Basin, through reduced salinity concentration of Colorado River water. California's Colorado River water users are presently suffering economic damages in the hundreds of millions of dollars per year due to the river's salinity.

Appropriated Federal dollars will be augmented by the State cost sharing of 30 percent with an additional 25 percent provided by the agricultural producers with whom the U.S. Department of Agriculture contracts for implementation of salinity control measures. Over the past years, the Program has proven to be a very cost effective approach to help mitigate the impacts of increased salinity in the Colorado River. Continued Federal funding of this important Basin-wide program is essential.

Metropolitan urges the subcommittee to support funding for fiscal year 2014 of $18 million from the U.S. Department of Agriculture's Environmental Quality Incentives Program for the Colorado River Basin Salinity Control Program.

[The statement was submitted by Jeffrey Kightlinger, General Manager, Metropolitan Water District of Southern California.]

PREPARED STATEMENT OF THE NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION (NAHMA)

Thank you, Chairman Pryor and Ranking Member Blunt for the opportunity to submit this testimony on behalf of the National Affordable Housing Management Association (NAHMA). My testimony concerns the fiscal year 2014 budget for the U.S. Department of Agriculture, and in particular, funding for the Rural Housing Service (RHS) multifamily housing programs.

ABOUT NAHMA

NAHMA members manage and provide quality affordable housing to more than 2 million Americans with very low to moderate incomes. Our membership consists of presidents and executives of property management companies, owners of affordable rental housing, public agencies and national organizations involved in affordable housing, and providers of supplies and services to the affordable housing industry. In addition, NAHMA serves as the national voice in Washington for 19 regional, State and local affordable housing management associations (AHMAs) nationwide.

FUNDING FOR RHS MULTIFAMILY HOUSING PROGRAMS

Section 521 Rural Rental Assistance.—The Section 521 Rural Rental Assistance (RA) program is project-based rental assistance administered by USDA–RHS. It is often used in conjunction with section 515 housing or farm labor housing to pay apartment owners the difference between tenants' contributions (30 percent of their income) and the monthly rental rate.

For fiscal year 2014, RHS requests $1.015 billion for Section 521 Rural Rental Assistance. RHS believes this request is sufficient to accommodate renewals. Because the President's budget assumes repeal of sequestration, NAHMA is concerned that this request may not be sufficient to fully fund the fiscal year 2014 renewals and cover any shortfalls resulting from rescissions in fiscal year 2013. NAHMA supports funding at a level of $1.015 billion, plus any additional appropriations necessary to ensure there are no shortfalls as a result of sequestration and the additional rescissions in the fiscal year 2013 appropriations legislation.

In a letter to stakeholders dated April 16, 2013, Under Secretary Dallas Tonsager wrote:

"Effective on March 1, 2013, the Budget Control Act of 2011 (Public Law 112–25) mandated budget reductions, known as sequester, totaling $85 billion across the Federal Government for the remainder of the Federal fiscal year. The Consolidated and Further Continuing Appropriations Act, 2013 (Public Law 113–6), signed into law on March 26, 2013, maintained the sequester cut and included two further across-the-board reductions (rescission) for USDA discretionary funding totaling 2.77 percent . . . .

"Given the variables affecting RA usage, it will be some time before we know how far the remaining funding can be extended to accommodate renewals. Rural Development will continue to fully renew RA contracts as they expire. However, we anticipate that funding will run out before the end of the fiscal year. To the extent possible, Rural Development will work with affected borrowers within its regulatory authority to mitigate the effects of these cuts, including the potential use of any of the special servicing actions described in 7 C.F.R. [Parts] 3560.454 and 3560.455. We appreciate the potentially difficult position the reductions in rental assistance may create for your properties."

NAHMA is extremely concerned that RHS expects to run out of funding for renewals before October 1, but they have announced no concrete plans to manage the expected RA shortfalls. As it stands, property owners whose contracts expire later in fiscal year 2013 do not know when, or if, their contracts will be renewed. This uncertainty makes it extremely difficult to plan for even normal property operations such as paying the mortgage, utility bills and meeting payroll. Similarly, property owners whose contracts expire in fiscal year 2014 do not know how the fiscal year 2013 shortfall will affect their contracts. NAHMA strongly urges the subcommittee to conduct thorough oversight on this matter. It is essential to determine exactly how much RHS needs in additional appropriations to fund the full 12-month terms of RA contracts in fiscal year 2013. Once the need is determined, we respectfully request that the subcommittee act with urgency to provide the funding at the earliest opportunity. If the funding cannot be supplemented in fiscal year 2013, then it is imperative to include these necessary funds as part of the fiscal year 2014 appropriations.

Aside from funding, RHS also requests access to the Health and Human Services National Database of New Hires as well as the IRS data, similar to what the Department of Housing and Urban Development has for project-based section 8. RHS is seeking this authority to reduce improper payments in its means-tested programs—and especially in its RA program. NAHMA is interested in reviewing the specific legislative language of RHS' proposal, but we support the request in concept. Rather than create an entirely new system, NAHMA recommends granting access to HUD's Enterprise Income Verification (EIV) System to RHS staff, as well as to authorized property owners and managers.

Section 515.—Section 515 Direct Rural Rental Housing Loans are direct, competitive mortgage loans which finance affordable multifamily rental housing for low-income families, the elderly and persons with disabilities in rural America. The 2014 budget request proposes $28 million for the section 515 direct loan program. NAHMA supports funding at a level of at least $28 million.

Section 538.—The Section 538 Multifamily Loan Guarantee program provides loan guarantees which encourage construction, acquisition, or rehabilitation of rural multifamily housing for low-income residents. The budget requests $150 million for this program. NAHMA supports this request.

Multifamily Preservation and Revitalization (MRP) Program.—The Multifamily Housing Revitalization Program funds tenant protection vouchers, property rehabilitation and preservation demonstration programs. RHS requests $32.6 million in budget authority for this program. Of this total funding, $12.6 million is directed to the Rural Housing Voucher Program, which provides a rental subsidy to any low-income household (including those not receiving rental assistance) residing in a property financed with a section 515 loan which has been prepaid after September 30, 2005. Once again, we urge the subcommittee to ensure the rescissions written into the fiscal year 2013 appropriations bill do not create a shortfall in the Rural Housing Voucher program. Likewise, $20 million is proposed for the section 515 MRP demonstration program which is used to preserve and recapitalize aging rural multifamily rental properties. NAHMA supports funding for MRP program at a level of at least $32.6 million.

CONCLUSION

Thank you again for the opportunity to submit this testimony. I look forward to working with the subcommittee to ensure that the RHS' multifamily housing programs are fully funded and properly administered.

[This statement was submitted by Kris Cook, CAE, Executive Director, National Affordable Housing Management Association.]

PREPARED STATEMENT OF THE NATIONAL ASSOCIATION OF COUNTY AND CITY HEALTH OFFICIALS (NACCHO)

The National Association of County and City Health Officials (NACCHO) is the voice of the approximately 2,800 local health departments across the country. City, county, metropolitan, district, and tribal health departments work every day to ensure the safety of the water we drink, the food we eat, and the air we breathe. Local health departments work with State, local, and national partners to prevent, identify, and respond to outbreaks of foodborne illness.

FOOD AND DRUG ADMINISTRATION, CENTER FOR FOOD SAFETY AND APPLIED NUTRITION

NACCHO Request: $1 Billion

Fiscal Year 2012: $883 Million

NACCHO urges sufficient funding for the FDA Center for Food Safety and Applied Nutrition (CFSAN) to carry out its inspection duties and support the work of local health departments in responding to outbreaks of foodborne illness. According to the Centers for Disease Control and Prevention, in a 4-year period starting in 2006, 94 percent of foodborne illness outbreaks involved a single county.

Local health departments represent two-thirds of the 3,000 State, local and tribal agencies that have primary responsibility to regulate the more than 1 million food establishments in the United States. Local health departments are on the front lines conducting food safety inspections, educating food handlers in their communities, and responding to outbreaks of illness. Local health departments inspect restaurants, grocery stores, daycare facilities, hospitals, schools, and some food manufacturing plants to ensure safe food handling practices and sanitary conditions. Local health departments also respond to citizen complaints, investigate the causes of foodborne outbreaks, and take steps to prevent further spread of disease. Local health departments work with local businesses to remove products from grocery store shelves and from menus and, as appropriate, to take corrective action to ensure that food establishments comply with sanitation standards.

Repeated rounds of budget cuts and layoffs continue to erode local health department capacity. Since 2008, local and State health departments have lost nearly 50,000 jobs due to budget reductions. In the area of food safety, that means there are fewer inspectors and trained food safety and food service professionals—from restaurants and school cafeteria workers to street fair vendors—able to identify risks and prevent foodborne illness. Recent surveys of local health departments have found that retail food establishments are inspected less frequently, and local public health professionals fear the effect this will have on food safety.

In 2010, Congress passed the Food Safety Modernization Act (FSMA), which recognized the importance of protecting the public from foodborne illness and the need to strengthen our current system for prevention of these costly illnesses. In the 21st century, our global food supply system is more complex than ever before and has an increased risk of accidental or intentional contamination. In FSMA, the Federal Government made a commitment to foster coordination and increase capacity at the local, State and Federal level to prevent and respond to foodborne illness. The return on Federal investment in food safety training, surveillance and investigation capacity can be measured in improved health and lower healthcare costs and lost productivity.

In fiscal year 2012, Congress made a down payment on the implementation of FSMA by providing $39 million. NACCHO recommends Congress take further steps in fiscal year 2013 to fully implement FSMA. FDA's Center for Safety and Applied Nutrition (CFSAN) supports partnerships at the local, State and Federal level to protect consumers from, and quickly respond to and track, foodborne illness outbreaks. CFSAN also oversees the food safety training program which helps to maintain uniform standards in food inspection and the retail food safety initiative which provides best practices for retail food handlers. NACCHO applauds FDA's efforts last year to assist local and State retail food regulatory programs in achieving conformance with the Voluntary National Retail Food Regulatory Program Standards. To advance efforts for a nationally integrated food safety system, such opportunities should be available in subsequent years for additional jurisdictions.

A national food safety training system, including a certification system, will ensure that officials at all levels of Government have consistent, up-to-date knowledge, as well as the necessary skills, to do their jobs. Without a robust national training system, there is less capacity to consistently and continuously improve knowledge and skills based on the latest science and risk assessments. It is crucial that regulators and public health partners have the appropriate knowledge and training to carry out their duties to safeguard the public from foodborne illness. Food safety training requires continued funding to increase capacity and adequately train our nation's food protection workers.

FDA's dedicated retail food safety initiative supports research and distribution of technologies that prevent, mitigate, or detect foodborne illness hazards in the retail environment. FDA resources allow local health departments to learn about and adopt best practices for prevention of foodborne illness in the retail setting and to utilize products developed by FDA to educate the public and food service workers in their communities. These Federal tools and resources stretch the limited resources of local health departments by providing templates that can be adapted to the local setting.

Despite the best efforts of Federal, State, and local public officials, over 48 million cases of preventable foodborne illness occur every year in this country. Many of these cases cause pain and suffering, high medical bills, disability, lost productivity, lower life expectancy and death. Foodborne illness causes an estimated 128,000 hospital visits and 3,000 deaths annually.

Foodborne illness has significant costs associated with direct medical expenses, lost productivity, and decreased revenue for food manufacturers and retail establishments. Salmonella, which causes 1 million cases of foodborne illness, costs $365 million a year in direct medical expenses. The 2009 salmonella outbreak saw a double digit decline in the amount of peanut products purchased. Prevention, detection and control of foodborne illness are important to protect the health of the public and the sustainability of businesses that supply food in retail settings.

As the subcommittee drafts the fiscal year 2014 Agriculture-Rural Development-FDA Appropriations bill, NACCHO urges consideration of these recommendations for FDA programs that are critical to ensuring the safety of our Nation's food supply and protecting the public's health.

Prepared Statement of the National Association of State Energy Officials (NASEO)

Chairman Pryor and Ranking Member Blunt, I am David Terry, Executive Director of the National Association of State Energy Officials (NASEO), and I am testifying in support of funding for the energy title of the farm bill. Specifically, we support funding of at least $70 million for the Rural Energy for America (REAP) program (section 9007 of the last multi-year farm bill). The REAP program was created in the 2002 farm bill and it has been a huge success. Over 10,000 energy efficiency and renewable energy projects have been implemented in every State since 2003. With a required $3 match of non-Federal funds for every Federal dollar invested in REAP, over $1.6 billion in matching funds have been provided. This program has specifically benefited farmers, ranchers and rural small businesses. NASEO members work directly with eligible entities, as well as State agricultural agencies and rural interests to promote this successful program. Rising oil and distillate prices have made this program even more important. REAP is about rural economic development.

The Biorefinery Assistance Program also provides critical financing for the first generation of biorefineries. It is important for the Nation to expand our fuel diversity. $75 million should be provided for this program.

The Biomass Crop Assistance Program supports producers who will supply biomass feedstocks for advanced biofuels. We urge the subcommittee to provide $50 million for this effort in fiscal year 2014.

NASEO represents the energy offices in the States, territories and the District of Columbia. The REAP program, and the other critical programs in the energy title of the last multi-year farm bill, helps create jobs, increases agricultural productivity, saves energy for farmers, ranchers and rural small businesses, generates energy, promotes use of alternative fuels, reduces our dependence on imported petroleum and saves money in rural America. The cost is very low and the payback is very high.

We hope that a new multi-year farm bill will be approved this year. The short-term fiscal year 2014 extension of the farm bill excluded the critical energy title programs. The $800 million in mandatory spending contained in the Senate version of last year's farm bill would be a good start.

We urge your support for the REAP program, the Biorefinery Assistance Program and the Biomass Crop Assistance Program.

PREPARED STATEMENT OF THE NATIONAL COALITION FOR FOOD AND AGRICULTURAL RESEARCH (NATIONAL C–FAR)

Dear Chairman Pryor and Ranking Member Blunt: The National Coalition for Food and Agricultural Research (National C–FAR) urges your subcommittee to commit to a strong Federal investment in the U.S. Department of Agriculture's (USDA) Research, Education, and Economics (REE) mission area as a critical component of Federal appropriations for fiscal year 2014.

National C–FAR strongly supports funding for the Agriculture and Food Research Initiative (AFRI) at the fully authorized level of $700 million as soon as practicable and urges the subcommittee to appropriate at least $383 million in funding for AFRI in fiscal year 2014. This level of funding is a significant step in the right direction and builds on the increased funding level approved by your subcommittee and the full Senate for fiscal year 2013.

However, maintaining a balanced research portfolio is critical; and National C–FAR urges that increases in the AFRI budget not come at the expense of other food and agricultural REE programs. Demand in the AFRI program is far greater than the available funding. In addition, it is important to grow funding because many AFRI grants awarded involve multiple year commitments. Unless AFRI funding increases, the necessary flexibility to fund new projects and address emerging issues would be greatly diminished.

National C–FAR's support encompasses the entire REE mission, including the need to modernize our Nation's food and agricultural science infrastructure at USDA labs and universities. The administration has recognized the importance of REE funding in its fiscal year 2014 budget request, while recognizing current budgetary constraints. National C–FAR's support includes both USDA's suite of extramural programs in the National Institute of Food and Agriculture (NIFA), such as AFRI and formula funds, and USDA's intramural programs including the Agricultural Research Service (ARS), the Economic Research Service (ERS), and the National Agricultural Statistics Service (NASS). National C–FAR wishes to go on record in support of funding for Forest Service research programs, recognizing that this falls under the jurisdiction of another Appropriations subcommittee.

National C–FAR believes the Nation has a serious food and agricultural research, extension and education deficit, just as the Nation has a budget deficit. This food and agricultural science funding deficit is serious, long running and unsustainable. Failure to address this research deficit will have real negative consequences, not just to the agriculture and food system but to the entire Nation and U.S. economy.

The Research title of the farm bill represents the Nation's signature Federal investment in the future of the food and agricultural sector. Other farm bill titles depend heavily upon the Research title for tools to help achieve their stated objectives. Public investment in food and agricultural research, extension and education today and in the future must simultaneously satisfy multiple needs, including food quality and quantity, nutrition, food safety, resource preservation and producer profitability.

National C–FAR supports the key recommendation in the President's Council of Advisors on Science and Technology (PCAST) December 2012 "Report to the President on Agriculture Preparedness and the Agriculture Research Enterprise" to increase Federal investments in food and agricultural research by $700 million per year in order to help generate the science needed to meet critical future challenges in the food and agricultural sector. By any measure, Federal funding for food and agricultural research, extension and education has failed to keep pace with identified priority needs. Federal investment in research and development at the USDA reportedly has declined by about one-fourth since fiscal year 2003. A continuing deficit in terms of a commitment to Federal funding for agricultural research will have detrimental effects on human and animal health and the Nation's economy.

Publicly financed REE is a necessary complement to private sector research, focusing in areas where the private sector does not have an incentive to invest, when (1) the payoff is over a long term; (2) the potential market is more speculative; (3) the effort is during the pre-technology stage; and (4) where the benefits are widely diffused. Public research, extension and education help provide oversight and measure long-term progress. Investments now also help detect and resolve problems in an early stage, thus saving American taxpayer dollars in remedial and corrective actions.

Scientific outcomes and tools realized through USDA's REE mission are needed to help achieve safer, more nutritious, convenient and affordable foods delivered to sustain a well nourished, healthy population; more efficient and environmentally friendly food, fiber and forest production; improved water quality, land conservation, wildlife and other environmental conditions; less dependence on non-renewable sources of energy; expanded global markets and improved balance of trade; and more jobs and sustainable rural economic development.

National C–FAR believes it is imperative to lay the groundwork now to respond to the many challenges and promising opportunities ahead through Federal policies and programs needed to promote the long-term health and vitality of food and agriculture for the benefit of both consumers and producers. Stronger public investment in food and agricultural REE is essential in producing scientific outcomes needed to help deliver beneficial and timely solutions on a sustainable basis.

National C–FAR serves as a forum and a unified voice in support of sustaining and increasing public investment at the national level in food and agricultural research, extension and education. National C–FAR is a nonprofit, nonpartisan, consensus-based and customer-led coalition established in 2001 that brings food, agriculture, nutrition, conservation and natural resource organizations together with the food and agriculture research and extension community.

At a time when USDA's REE mission has experienced serious cuts due to sequestration and related factors, National C–FAR urges the subcommittee to take action by increasing funding significantly in fiscal year 2014. The potential payoff is enormous for both Americans' health and the Nation's economy.

[This statement was submitted by R. Thomas (Tom) Van Arsdall, Executive Director, the National Coalition for Food and Agricultural Research.]

PREPARED STATEMENT OF THE NATIONAL COMMODITY SUPPLEMENTAL FOOD PROGRAM ASSOCIATION (NCSFPA)

Mr. Chairman and subcommittee members, thank you for this opportunity to present information regarding the USDA/FNS Commodity Supplemental Food Program (CSFP). The National Commodity Supplemental Food Program Association (NCSFPA) requests that the Senate Agriculture Appropriations Subcommittee fund CSFP for fiscal year 2014 at $207,682,000—$202,682,000 as requested by the U.S. Department of Agriculture, an additional $5 million to begin CSFP operations in six States with USDA-approved plans (Connecticut, Hawaii, Idaho, Maryland, Massachusetts, and Rhode Island). NCSFPA would also like the subcommittee to take notice of the fact that on February 1, the State of California began a waiting list because they are at their maximum caseload. Currently participating States have requested 117,052 additional slots to meet the rising demand for nutritional assistance among our Nation's vulnerable seniors.

In fiscal year 2012, 97 percent of all CSFP recipients were low-income seniors. With this in mind, it is interesting to note that NCSFPA has proposed, as part of the next farm bill, a full conversion of CSFP into a seniors-only program, with sufficient time allowance for currently participating mothers and children to transition off of CSFP. This recommendation was adopted in both the House-reported and Senate-passed farm bills last year, and we have urged both committees to maintain this language in further farm bill action this year.

CSFP is a unique program which brings together Federal and State agencies, along with public and private entities. In fiscal year 2012, the CSFP provided services through 150 nonprofit community and faith-based organizations at 1,800 sites located in 39 States, the District of Columbia, and two Indian Tribal Organizations (Red Lake, Minnesota and Oglala Sioux, South Dakota).

USDA purchases specific nutrient-rich foods at wholesale prices from American farmers including: canned fruits and vegetables, juices, meats, fish, peanut butter, cereals, grain products, cheese and dairy products. State agencies provide administrative oversight and contract with local community and faith based organizations to warehouse and distribute food; certify eligibility; and provide nutrition education to participants. These local organizations build broad collaboration among nonprofits, health units, and area agencies on aging to provide easy access to the program. This partnership reaches even homebound seniors in both rural and urban settings with vital nutrition and remains an important "market" for commodities supported under various farm programs.

CSFP continues to be a testimony to the power of community partnerships of faith-based organizations, farmers, private industry and Government agencies. The CSFP offers a unique combination of advantages unparalleled by any other food assistance program:

—The CSFP specifically targets our Nation's most nutritionally vulnerable populations: low-income seniors and young children.

—The CSFP provides a monthly selection of food packages tailored to specific nutritional needs. The nutritional content of the food provided has improved with the introduction of low-fat cheese, whole grain products, canned fruits packed in fruit juice or extra light syrup, and low sodium canned vegetables.

—The CSFP purchases foods at wholesale prices, directly supporting American farmers. The estimated FNS funded cost for the mothers and children monthly food package is $25.98 in fiscal year 2013 and $26.50 in fiscal year 2014. The estimated FNS funded cost of the elderly food package is $20.51 in fiscal year 2013 and $20.93 in fiscal year 2014. FNS is adding an additional $4.12 per month to the mothers and children food package and $3.47 per month to the elderly package per month through free (donated) items in both fiscal year 2013 and fiscal year 2014.

—The CSFP involves the entire community. Thousands of volunteers and private companies donate money, equipment, and most importantly time and effort to deliver food to needy and homebound seniors. These volunteers not only bring food but companionship and other assistance to seniors who might have limited support systems.

The 1997 report by the National Policy and Resource Center on Nutrition and Aging at Florida International University, Miami—"Elder Insecurities: Poverty, Hunger, and Malnutrition" indicated that malnourished elderly patients experience 2 to 20 times more medical complications, have up to 100 percent longer hospital stays, and incur hospital costs $2,000 to $10,000 higher per stay. Proper nutrition promotes health, treats chronic disease, decreases hospital length of stay and saves healthcare dollars. America is aging. CSFP must be an integral part of Senior Nutrition Policy and plans to support the productivity, health, independence and quality of life for America's seniors, many of whom now need to continue working at least part-time beyond retirement age to afford basics.

In the most recent (2007) CSFP survey, more than half of seniors living alone reported an income of less than $750 per month. One-half of respondents from two-person households reported an income under $1,000 per month. Twenty-five percent were enrolled in the Supplemental Nutrition Assistance Program (SNAP) and 50 percent said they ran out of food during the month. Seventy percent of senior respondents said they choose between medicine and food.

In 2012 an informal senior participant survey revealed individual accounts of the value of CSFP benefits. An Arkansas recipient tells us that they would not otherwise be able to eat the balanced meals that CSFP provides each month. Arkansas program operators talk about the importance of interaction between seniors and program staff, saying this interaction is very important for the well-being of recipients, and recipients are able to live more stable, self sufficient lives as a result. Colorado participants say that they would not be able to have juice and cereal without CSFP, and many appreciate the program because they are homebound. Seniors in St. Louis, Missouri, say that CSFP foods help them get through to their next checks. Participants in Nebraska say that they don't know what they would do without this food, calling the program a "lifesaver". New Hampshire participants tell us that they use CSFP as a primary source of nutrition each month and would see a dramatic loss in food availability without the program. One Wisconsin recipient said that they would starve without the program, while others said that CSFP on their limited income meant that they could pay necessary living expenses.

The CSFP State and Local Agencies are committed grassroots operators with dedicated volunteers fulfilling a mission to provide quality nutrition assistance economically, efficiently, and responsibly. In cooperation with USDA, NCSFPA seeks to meet the current and emerging needs of CSFP participants. NCSFPA wishes to commend the Food Distribution Division of Food and Nutrition Service of the Department of Agriculture for their continued innovations to strengthen the quality of the food package and streamline administration.

The Senate Agriculture Appropriations Subcommittee has consistently supported CSFP, acknowledging it as a cost-effective way of providing nutritious supplemental foods. We urge the subcommittee to provide $202,628,000 in order to allow us to maintain our current service level and to also strongly consider our request for $5,000,000 for the six additional States to begin providing nutritional assistance to their vulnerable seniors.

Again, thank you for your continuing support. We look forward to working with you on behalf of CSFP participants.

[This statement was submitted by Brian Greene, President, National CSFP Association.]

Prepared Statement of the National Council of State Housing Agencies (NCSHA)

Thank you for the opportunity to provide testimony on behalf of our Housing Finance Agency (HFA) members. As you consider your fiscal year 2014 USDA appropriations bill, we urge you to define rural areas for USDA Rural Housing Service (RHS) program eligibility to ensure that areas currently qualified for it and needing such assistance maintain eligibility, despite potential eligibility changes due to the 2010 census. We also ask that you ensure USDA does not administratively remove some Section 521 Rental Assistance from use. We request that you provide fiscal year 2014 program funding levels for RHS programs adequate to maintain assistance for those currently receiving it, allow new families needing assistance to access it, and provide for the construction, rehabilitation, and preservation of rural affordable housing.

The National Council of State Housing Agencies' (NCSHA) members are the HFAs of the 50 States, the District of Columbia, New York City, Puerto Rico, and the U.S. Virgin Islands. HFAs administer and utilize a wide range of affordable housing and community development programs, including section 502 and section 538 rural housing loans, other rural housing assistance, HOME, section 8, homelessness assistance, down payment assistance, counseling, tax-exempt Housing Bonds, and the Low Income Housing Tax Credit (Housing Credit). HFAs effectively employ these resources to advance their common public-purpose mission of providing affordable housing to the people of their jurisdictions who need it.

DEFINING RURAL

We urge you to modify the definition of rural areas for purposes of USDA program eligibility, including maintaining USDA rural housing funding and guarantee program eligibility, for jurisdictions needing such assistance and at risk of losing their eligibility as USDA incorporates data from the 2010 census into its program eligibility criteria. Congress approved a similar definition modification in 1990 and extended it in 2000. The Bipartisan Policy Center's Housing Commission recommends in its recently released report "Housing America's Future: New Directions for National Policy" that the current definition of rural areas be extended through the year 2020, except for areas with populations exceeding 25,000.

Without a change to the definition, eligibility will be limited to communities that have a population of less than 20,000 and are not located in metropolitan statistical areas (MSA). However, half of the entire rural population lives in an MSA. Without a statutory change, more than 900 rural communities will become ineligible for rural development funds at the end of fiscal year 2013. For some of these communities, it will mean losing their only source of Federal housing funding.

SECTION 521 RENTAL ASSISTANCE

The Section 521 Rental Assistance program provides assistance to low-income renters, those earning no more than 80 percent of area median income (AMI), and very-low income renters, those earning no more than 50 percent of AMI, in section 515 and section 514/516 assisted housing. Assistance is provided so that tenants are required to pay no more than 30 percent of their incomes for rent. The assistance is provided through contracts with owners of assisted housing.

The need for affordable rental housing in rural areas far exceeds current supply. Forty-seven percent of rural renters are cost burdened, paying more than 30 percent of their incomes for housing, and nearly half of them are paying more than 50 percent of their monthly incomes for housing. Section 521 Rental Assistance helps reduce rent burdens on low-income households, but is not available for every Rural Development (RD) apartment.

Underfunding of Section 521 Rental Assistance has led USDA to implement policies that takes assistance out of circulation, reduces the number of low-income households that can utilize the subsidy, and diminishes the quality of the housing provided. We urge you to ensure that USDA does not administratively remove existing Section 521 Rental Assistance units from the program or cancel Section 521 Rental Assistance contracts from assisted properties that USDA removes from the program.

Traditionally, when rental properties left the program through prepayment or foreclosure, RD would transfer their Rental Assistance units to other properties. However, in an unnumbered letter dated May 18, 2011, RD states that for certain properties it has decided not to transfer the Rental Assistance, but instead to retire it to achieve program savings. This administrative change shifts economic hardship to tenants and threatens the recapitalization and preservation of properties.

It further limits the amount of rental assistance provided to families that need it and makes it harder for rural rental housing units to attract and leverage other sources of funding, such as the Housing Credit. In 2011, more than one-third of State HFAs reported having a rural housing set-aside within their Housing Credit program. In response to RD's decision to limit redistribution of Rental Assistance, HFAs raised concerns that the lack of rental assistance provided to units that need it will make it more difficult for developments to maintain financial feasibility, as well as making rehabilitation and preservation financing more difficult.

RURAL HOUSING FUNDING

We urge you to provide funding for RHS programs adequate to continue providing assistance to all families currently receiving it and to help as many new families still waiting for assistance as possible. The need for access to affordable housing in rural areas remains great. Median income in rural areas is 20 percent lower than the national median income and rural communities are four times more likely than urban areas to have at least 20 percent of their population living in poverty.

We appreciate your support of funding for the section 502 single-family direct loan program and urge you to resist efforts to cut funding for this program. We also thank you for supporting funding for the Multifamily Preservation and Revitalization (MPR) demonstration program and urge you to continue its funding and to support its permanent authorization.

In addition to meeting the need for affordable rural homeownership and rental housing opportunities, both the section 502 single-family guaranteed and the section 538 multifamily loan programs do not require budget authority to support their loans. In fact, in recent years, both of these programs have generated revenue for the Federal Government. We encourage your continued support for them.

We urge you to provide funding for the section 515 rural rental housing loan program to support new development and preservation of rental housing and to provide full funding for the Section 521 Rental Assistance program.

We recognize the continued constrained fiscal environment in which you must craft your fiscal year 2014 appropriations legislation. We urge you to consider the proven effectiveness of RHS programs and the great unmet need for them, which has been further exacerbated in these difficult economic times, as you make your funding decisions. NCSHA appreciates this opportunity to offer a statement on behalf of these programs and we are ready to assist you in any way we can as you move forward with the fiscal year 2014 appropriations process.

PREPARED STATEMENT OF THE NATIONAL RURAL HOUSING COALITION (NRHC)

Mr. Chairman and members of the subcommittee, thank you for the opportunity to submit testimony on behalf of the National Rural Housing Coalition (NRHC) on fiscal year 2014 appropriations for Department of Agriculture (USDA) Rural Housing Programs. NRHC is a national membership organization made up of housing developers, nonprofit housing organizations, State and local officials, and housing advocates.

Since 2010, USDA Rural Housing programs have been cut by nearly $400 million. As a result, fewer families can become homeowners, new rental housing development is virtually non-existent, and the existing rental housing portfolio is in great need of repair and restoration. The President's fiscal year 2014 budget singles out USDA Rural Housing programs for further reductions which are both unwise and unwarranted. Instead, we urge the subcommittee to fund USDA Rural Housing programs in fiscal year 2014 at the higher of the President's fiscal year 2014 budget request or fiscal year 2013 levels, prior to sequestration. In particular, we support appropriations for rural housing programs that will provide at least: (1) $900 million for Section 502 Direct Loans; (2) $26 million for Section 514 Farm Labor Housing Program Loans; (3) $9 million for Section 516 Farm Labor Housing Program Grants; (4) $1.015 billion for Section 521 Multi-Family Rental Housing Rental Assistance Program; (5) $30 million for Section 523 Self-Help Housing Program; (6) $32.6 million for the Multi-Family Housing Preservation and Revitalization Program; and (7) $6.12 million for the Rural Community Development Initiative. We urge the subcommittee to fund the Section 515 Rural Rental Housing Program at the fiscal year 2012 level of $64.5 million.

HOUSING NEEDS IN RURAL AMERICA

In December 2012, NRHC issued a report on the success of USDA's rural homeownership programs, titled "Opening Doors to Rural Homeownership [1]." The report highlights (1) the success of Section 502 Direct Loans in getting rural families into decent housing at a very low cost to the Federal Government and (2) how families work nights and weekends to build their own homes through the Mutual Self-Help Housing program. For many rural families of modest incomes, rural housing programs such as Section 502 Direct Loans and Mutual Self-Help Housing are an important, and in many cases, the only means, of gaining decent, affordable housing and building wealth. There remains a substantial need for rural housing assistance across our Nation's small town and farming communities. While homeownership is still the predominate type of housing available in rural America, rural housing is much more likely to be substandard than in urban areas. In fact, 6 percent of rural homes are either moderately or severely substandard, often with leaking roofs, or inadequate plumbing or heating systems. Some 8 million rural families pay more than 30 percent of income for housing and 23 percent of all rural families pay more than 35 percent of income for shelter. Rural median incomes ($40,038) are 20 percent lower than the national median income ($50,046). Rural communities are four times more likely than urban areas to have at least 20 percent of their population living in poverty. More than 88 percent of the Nation's "persistently poor" counties are rural.

In its new report [2], the Bipartisan Policy Center Commission on Housing issued strong, support for USDA Rural Housing programs, recognizing the critical role these programs play in meeting the unique challenges to affordable housing in rural America and the very low cost to the Government to operate them. The Commission calls on Congress preserve eligibility for USDA Rural Housing programs by extending the definition of "rural" under section 520 of the Housing Act of 1949. Without congressional action, over 900 rural communities may lose access to what is often their only source Federal housing funding.

USDA RURAL HOUSING PROGRAMS

Section 502 Single-Family Direct Homeownership Loans.—Over 60 years, the Section 502 Direct Loan Program has helped more than 2.1 million families realize the American Dream and build their wealth by more than $40 billion. Demand for Section 502 Direct Loans continues to outpace supply with over 15,000 loan applications totaling over $1.9 billion on the program's waiting list. Section 502 Direct Loans is the only Federal homeownership program that is exclusively targeted to

[1] http://ruralhousingcoalition.org/wp-content/uploads/Opening%20Doors%20to%20Rural%20Homeownership.pdf.

[2] http://bipartisanpolicy.org/sites/default/files/BPC__Housing%20Report__web.pdf.

very low- and low-income rural families. By law, at least 40 percent of section 502 funds must be used to assist families earning less than 50 percent of the area median income. Despite serving families with limited economic means, section 502 is the single, most cost-effective Federal housing program, period. On average, each section 502 loan costs about $3,000 over its entire lifetime. Compare that to other Federal housing programs, which can cost taxpayers twice as much each year. Likewise, Section 502 Direct Loans—in terms of delinquency and foreclosure—performs on par or better than other loan portfolios serving higher income borrowers. For example, only 10 percent of section 502 borrowers are delinquent. This is far better than the 20 percent rate among private market subprime borrowers, and on par with other Federal direct lending programs, including the Federal Housing Administration (FHA). While Section 502 Direct Loan borrowers earn less than 80 percent of the area median income, the FHA program has no income limits. Yet, the programs' combined foreclosure and delinquency rates are substantially similar at about 16 and 17 percent, respectively.

Section 523 Mutual Self-Help Housing.—The Self-Help Housing program adapts the rural tradition of barn-raising to provide housing opportunities for families with limited economic means. Through this program, more than 3,500 families have been able to realize the American Dream in the past 3 years. This construction has led to over 11,000 jobs, more than $738 million in local income and $77 million in taxes and revenue in rural communities across the country. Self-Help Housing is the only Federal program that combines "sweat equity" homeownership opportunities with technical assistance and affordable loans for America's rural families. Self-Help Housing families work nights and weekends to provide 65 percent of the construction labor—frequently amounting to more than 1,000 hours—on their own and each other's homes. In doing so, families earn equity, decrease construction costs, and make lasting investments in their community. The hallmark of the Self-Help Housing program is its emphasis on hard work, self-reliance, and community. This program is exclusively targeted to very low- and low-income families who are otherwise unable to access decent housing. Over half of the participants are minorities. Although these families have lower incomes, default rates are significantly lower than other borrowers.

Section 515 Rural Rental Housing.—Section 515 is the principal source of financing for rental housing in rural communities. Today, more than 500,000 families live in housing financed by section 515. Rental units developed with section 515 loans are exclusively targeted to very low-, low-, and moderate-income families, the elderly, and persons with disabilities. A vast majority—94 percent—of section 515 tenants have very-low incomes. The average yearly income is only $11,000. Some 57 percent these households are elderly or disabled, 26 percent are headed by persons of color, and 73 percent are headed by women.

Section 514/516 Farm Labor Housing.—The Section 514/516 Farm Labor Housing Loan and Grant program is the only nationwide program targeted to the housing needs of migrant and seasonal farmworkers. Over the history of the program, USDA has financed some 36,000 units for a cost of $1.27 billion. The level of funding for Farm Labor Housing has steadily decreased over the years. In fiscal year 2008, Congress provided $22 million for loans and $10 million for grants. The fiscal year 2009 budget proposed to eliminate the program. This past year, Congress expanded eligibility for the program—which has been targeted to workers in the field who work with unprocessed commodities—to include workers in processing plants, which will further drive up the demand. As a result, these drastic cuts come at a crucial time, given the high program demand and the poor condition of farmworker-occupied housing. The current funding levels for these programs are not nearly enough to address the tremendous need for decent, affordable housing.

CONCLUSION

Providing adequate funding for USDA Rural Housing programs is essential to efforts to improve the quality of life and economic opportunity in rural America. These programs are all part of the toolbox that USDA employs address the shortfall in decent, clean, and affordable housing in these communities. For a very small fraction of the USDA's budget, Congress can provide affordable rental and homeownership opportunities to thousands of rural families with limited means and boost flagging economies in small communities. Thank you for the opportunity to submit testimony.

[This statement was submitted by Robert A. Rapoza, Executive Secretary, National Rural Housing Coalition.]

PREPARED STATEMENT OF THE NATIONAL SUSTAINABLE AGRICULTURE COALITION (NSAC)

Thank you for the opportunity to present our fiscal year 2014 funding requests. NSAC is a national alliance of over 90 organizations that advocates for policies that support the economic, social, and environmental sustainability of agriculture, natural resources, and rural communities. Our USDA requests are as follows, in the order they appear in the appropriations bill:

—Departmental Administration, Office of Advocacy and Outreach, $1.2 million;
—NASS and AMS, Organic Market Reporting, $1.5 million;
—NIFA, Sustainable Agriculture Research and Education, $30 million;
—NIFA, Organic Transitions Program, $5 million;
—NIFA, National Food Safety Training and Technical Assistance, $10 million;
—AMS, Federal-State Market Improvement Program, $1.4 million;
—FSA, Direct Farm Ownership and Operating Loans, $575 million plus $1,223.7 million;
—NRCS, Conservation Technical Assistance, $735 million;
—RBCS, Value-Added Producer Grants, $30 million;
—RBCS, Rural Microentrepreneur Assistance Program, $3.4 million;
—RBCS, Appropriate Technology Transfer for Rural Areas, $3 million;
—General Provisions, Mandatory Conservation Programs, including the Conservation Stewardship Program, no limitation on direct spending.
—General Provisions, no policy riders to curtail enforcement of the Packers & Stockyards Act or to limit the review of biotechnology products.

We hope that the Congress will finalize the farm bill by the end of fiscal year 2013 and in it will provide mandatory funding for the Beginning Farmer and Rancher Development Program, Conservation Reserve Program—Transition Incentives Program, Farmers Market Promotion Program, National Organic Certification Cost Share Program, Organic Agriculture Research and Extension Initiative, Outreach and Assistance to Socially Disadvantaged Farmers and Ranchers program, and Specialty Crop Research Initiative. However, if the authorizers do not complete a farm bill providing mandatory money by the end of the fiscal year, we urge you to explore alternative mechanisms for funding these critical programs, which are currently without funding.

DEPARTMENTAL ADMINISTRATION

Office of Advocacy and Outreach (OA&O).—The Office of Advocacy and Outreach coordinates policy and outreach in two vital areas—small and beginning farmers, and socially disadvantaged or minority farmers. We urge that $1.2 million be provided for the OA&O, consistent with the USDA request.

NATIONAL AGRICULTURAL STATISTICS SERVICE

Organic Market Reporting.—NSAC requests funding at $1 million for NASS to conduct the data collection on organic agriculture that is urgently needed by RMA to inform the development of adequate organic crop insurance options, and to coordinate with AMS (see below) on enhanced and consistent reporting on organic production, marketing, and pricing data. As the organic industry surpasses $30 billion a year in sales, this multi-agency initiative is vital to maintaining markets, creating risk management tools, and negotiating equivalency agreements with foreign governments.

NATIONAL INSTITUTE OF FOOD AND AGRICULTURE

Sustainable Agriculture Research and Education Program (SARE).—SARE is the only NIFA competitive grant program dedicated to economic, social, and environmental sustainability. We urge you to fund this innovative, highly oversubscribed competitive grants program at $30 million, divided among research and education grants, extension and professional development grants, and Federal-State matching grants. SARE has helped turn farmer-driven research, education, and extension initiatives into profitable and environmentally sound practices for 25 years. Unlike in previous years, the President's fiscal year 2014 budget request proposes to combine research, education, and extension into a single line item request. We do not oppose the proposed consolidation, so long as overall funding is increased, adequate funding is provided for all functions, and report language clarifies the intent that all three authorized program functions are included in the single line item.

Organic Transitions Integrated Research Program.—We request $5 million to invest in innovative organic research with strong farmer delivery mechanisms built in. Organic research continues to lag well behind its fair share of the overall research budget. Without this level of funding, organic research will fall further behind, especially in light of the current absence of mandatory funding for organic research because of the farm bill delay.

National Food Safety Training, Education, Extension, Outreach, and Technical Assistance.—We request $10 million to help small and mid-size farms and small processing facilities comply with new proposed food safety regulations. This training program, authorized in the Food Safety Modernization Act of 2010, is one of the best, quickest, and least costly ways to improve food safety outcomes without resorting to excessive farm regulation. While it has not yet been funded, we urge you to start it this year, as farmers will very soon be facing the new FSMA regulations. It is high time to get USDA involved in funding cost effective training and education.

AGRICULTURAL MARKETING SERVICE

Federal-State Market Improvement Program (FSMIP).—FSMIP provides matching funds to State departments of agriculture to help grantees increase marketing efficiency and innovation and support local and regional food marketing opportunities. We request $1.4 million.

Organic Market Reporting.—We request $0.5 million for this price data collection and reporting initiative. AMS coordinates its data collection and reporting with NASS (see above) to address data needs for organic agriculture and organic crop insurance.

FARM SERVICE AGENCY

Direct Farm Ownership and Operating Loans.—Direct loans provide a crucial source of capital for beginning farmers and others not well served by commercial credit. Since fiscal year 2010, direct farm ownership loans, the single most critical program for beginning farmers trying to get started in agriculture, has been cut 33 percent. Both direct loan programs are severely oversubscribed. In light of the increasing age of farmers and the challenges faced by beginning farmers, it is critical that we fund these direct loan programs in the most effective way possible. We request program levels of no less than the USDA request of $575 million for Direct Farm Ownership loans and $1,223.7 million for Direct Operating Loans in fiscal year 2014.

NATURAL RESOURCES CONSERVATION SERVICE

Conservation Technical Assistance (CTA).—CTA, a subset of Conservation Operations, supports farmers enrolling in financial assistance programs and helps farmers with conservation planning and implementation. CTA also funds assessment of conservation practices and systems that underpin the conservation programs, as well as NRCS collection, analysis, and dissemination of information on the condition of the Nation's natural resources. We urge you to provide $735 million for CTA, but to reject the administration's user fee proposal.

RURAL BUSINESS AND COOPERATIVE SERVICE

Value-Added Producer Grants (VAPG).—VAPG offers grants to farmers and ranchers developing new farm and food-related businesses that boost farm income, create jobs, and increase rural economic opportunity. VAPG grants encourage the kind of entrepreneurship in agriculture that enables farms and communities to survive economically. Moreover, growing interest in local and regional foods is generating greater demand for mid-tier value chains and enterprises that aggregate local production, exactly the kind of rural development strategy VAPG is designed to support. We request VAPG funding of $30 million, a significant increase, but still 25 percent less than the program received a decade ago.

Rural Microentrepreneur Assistance Program (RMAP).—RMAP provides business training, technical assistance, and loans to owner-operated businesses with up to 10 employees. Small businesses make up 90 percent of all rural businesses, and microbusinesses are the fastest growing segment in many areas. RMAP creates jobs and local markets and alleviates poverty. We request $3.4 million for RMAP in fiscal year 2014. The President's fiscal year 2014 request includes $1.4 million in discretionary funding for loans, and a non-delineated discretionary sum for micro training and technical assistance grants as part of a consolidated Rural Business and Cooperative Grants program. We support retaining RMAP as a coherent, integrated program with grants and loans in a single program and account.

Appropriate Technology Transfer for Rural Areas (ATTRA).—The ATTRA program, also known as the National Sustainable Agriculture Information Service and reauthorized by the 2008 farm bill, provides critical support to farmers, Extension agents, and conservation and energy specialists throughout the country. We urge $3 million for ATTRA for fiscal year 2014.

GENERAL PROVISIONS

Repeated annual "changes in mandatory program spending" cuts to the Conservation Stewardship Program (CSP), Environmental Quality Incentives Program (EQIP), Wetland Reserve Program (WRP) and other mandatory farm bill conservation programs have created enormous backlogs among highly qualified producers and made it more difficult for farmers to maintain healthy, productive soil and to protect water and other natural resources. These programs provide critical public benefits such as clean water, drought mitigation, and carbon sequestration. We strongly oppose cuts to these critical farm bill conservation programs.

We oppose the inclusion of policy riders that limit full implementation of the Packers and Stockyards rule on fair competition or adequate enforcement of the PSA, or that strip Federal courts of the authority to halt the sale or planting of biotechnology products that have not been adequately reviewed for their economic and environmental impacts.

Finally, we oppose sequestration as a deficit reduction mechanism and urge you to revoke it and to restore the funding.

SUMMARY OF NSAC'S FISCAL YEAR 2014 REQUESTS

[Dollars in millions. Fiscal year 2013 levels are inclusive of sequestration and rescissions.]

	Fiscal year 2013	USDA 2014 request	NSAC 2014 request
Departmental Administration: Office of Advocacy and Outreach	$1.3	$1.2	$1.2
National Agricultural Statistics Service: Organic Market Reporting (see also Agricultural Marketing Service).	Agency discretion due to lack of detail in bill.		$1.0
National Institute of Food and Agriculture:			
Sustainable Agriculture Research and Education Program	$13.4 (research & education) + $4.3 (extension) = $17.7.	$22.7 for research, education, and extension[1].	$30.0 (research, education, matching grants, and extension)
Organic Transitions Program	$3.7	$4.0	$5.0
National Food Safety Training, Education, Extension, Outreach and Technical Assistance (Authorized by Congress to assist farmers as part of the Food Safety Modernization Act of 2010).			$10.0
Agricultural Marketing Service:			
Federal-State Marketing Improvement Program	$1.2	$1.4	$1.4
Organic Market Reporting (see also National Agricultural Statistics Service)	$0.3		$0.5
Farm Service Agency: Direct Farm Ownership and Operating Loans—(Program Levels).	$438.6 + $969.6	$575.0 + $1,223.7	$575.0 + $1,223.7
Natural Resources Conservation Service: Conservation Technical Assistance (within Conservation Operations).	$676.1	$735.0 (includes $22 million in user fees).	$735.0 (no user fees)
Rural Business and Cooperative Service:			
Value-Added Producer Grants	$13.8	$15.0	$30.0
Rural Microentrepreneur Assistance Program		$1.4 for $22 in loans + non-delineated sum for grants[2].	$3.4 (loans and grants)
National Sustainable Agriculture Information Service (ATTRA)	$2.1	$2.3	$3.0
General Provisions: Conservation Stewardship Program	$1,036.2 (no limitation + $63.8 sequester cut).	$1,299.0 ($70 approx. CHIMP; permanent cut of 777,780 acres).	No CHIMP/limitation on farm bill direct spending

[1] Unlike in previous years, the President's fiscal year 2014 budget request proposes to combine research, education, and extension into a single line item request. We do not oppose the proposed consolidation, so long as overall funding is increased, adequate funding is provided for all functions, and report language clarifies the intent that all three authorized program functions are included in the single line item.

[2] The President's fiscal year 2014 request includes $1.4 million discretionary funding for loans, and a non-delineated discretionary sum for micro training and technical assistance grants as part of a consolidated Rural Business and Cooperative Grants program. We support retaining RMAP as a coherent, integrated program with grants and loans in a single program and account.

We also oppose changes in mandatory program spending (CHIMPS) for other directly funded farm bill conservation programs.

We oppose policy riders that curtail enforcement of the Packers & Stockyards Act or to limit the review of biotechnology products.

We oppose sequestration as a deficit reduction mechanism and urge you to revoke it and restore the funding.

PREPARED STATEMENT OF THE NATIONAL WATER RESOURCES ASSOCIATION (NWRA)

On behalf of the membership of the National Water Resources Association, I am writing in support of continued funding for the Department of Agriculture's EQIP program and in particular funding for the Colorado River Basin Salinity Control program.

U.S. BUREAU OF RECLAMATION—COLORADO RIVER BASIN SALINITY CONTROL

Fiscal Year 2014 Request: $15.4 Million DOI, $1.4 Billion (EQIP Finding) USDA

Waters of the Colorado River are used by approximately 40 million people and used to irrigate approximately 4 million acres in the United States. Higher salinity water creates environmental and economic damages. Present quantifiable damages are estimated by Reclamation to be several hundred million dollars with projections that they would climb to more that $500 million annually by 2030 without continued aggressive implementation of the Program.

Congress has authorized implementation of the Colorado River Basin Salinity Control Program through the Colorado River Basin Salinity Control Act (Public Law 93–320) as amended. Implementation is accomplished through Department of the Interior and Department of Agriculture programs. In recognition of U.S. water quality commitments to Mexico and the fact that the majority of the salt load of the Colorado River comes from federally administered lands, the act directs that 70 percent of the Program is funded via appropriations with the remaining 30 percent basin States cost-share coming from the Basin Funds. The Program's Plan of Implementation identified in the 2011 Review, Water Quality Standards for Salinity, Colorado River System, as adopted by the basin States and EPA calls for approximately 650,000 tons of additional annual salinity control by 2030. The fiscal year 2014 funding level requirements are: $15.4 million in Reclamation's Basinwide Program, $1.5 million for salinity specific projects in BLM's Soil Water and Air Program, and $17.3 million under USDA's (NRCS) Environmental Quality Incentives Program (EQIP), total EQIP funding being $1.4 billion. The DOI funding levels are specific in line-item programs whereas USDA's EQIP is funded under the farm bill.

[This statement was submitted by Thomas F. Donnelly, Executive Vice President, National Water Resources Association.]

PREPARED STATEMENT OF THE NEW MEXICO INTERSTATE STREAM COMMISSION

SUMMARY

This statement is submitted in support of appropriations for the U.S. Department of Agriculture's Environmental Quality Incentives Program (EQIP) and the Colorado River Basin Salinity Control Program (Program). The Program is funded through EQIP, the U.S. Bureau of Reclamation's Basinwide Program, and cost-sharing provided by the Basin States. I request that at least $17.3 million in EQIP funds be designated for the Colorado River Basin Salinity Control Program in fiscal year 2014. I request that adequate funds be appropriated for technical assistance and education activities directed to Program participants.

STATEMENT

Congress authorized the Colorado River Basin Salinity Control Program in the Colorado River Basin Salinity Control Act of 1974. Congress amended the act in 1984 to give new responsibilities to the U.S. Department of Agriculture (USDA). While retaining the Department of the Interior as the lead coordinator for the Program, the amended act recognized the importance of USDA efforts in meeting the objectives of the Program. Many of the most cost-effective salinity control projects to date have occurred since implementation of the USDA's authorization for the Program.

With the Federal Agricultural Improvement and Reform Act of 1996 (FAIRA), Congress directed that the Program be implemented as a component of EQIP. However, until 2004, the Program was not funded at an adequate level to protect the Basin State-adopted and Environmental Protection Agency approved water quality standards for salinity in the Colorado River. Appropriations for EQIP prior to 2004 were insufficient to adequately control salinity impacts from water delivered to the downstream States and Mexico.

EQIP subsumed the salinity control program without giving adequate recognition to the responsibilities of the USDA to implement salinity control measures per section 202(c) of the Colorado River Basin Salinity Control Act. The EQIP evaluation and project ranking criteria targeted small watershed improvements and did not recognize that water users hundreds of miles downstream are significant beneficiaries of the salinity control program. Proposals for EQIP funding were ranked in the States of Utah, Wyoming and Colorado under the direction of the respective State Conservationists without consideration of those downstream, particularly out-of-State, benefits.

Following recommendations of the Basin States to address the funding problem, the USDA's Natural Resources Conservation Service (NRCS) designated the Colorado River Basin an "area of special interest" and earmarked funds for the Program. The NRCS concluded that the salinity control program is different from the small watershed approach of EQIP. The watershed for the Program stretches more than 1,400 miles from the headwaters of the river through the salt-laden soils of the entire basin to the river's termination at the Gulf of California in Mexico. NRCS is to be commended for its efforts to comply with the USDA's responsibilities under the Colorado River Basin Salinity Control Act, as amended.

With the enactment of the Farm Security and Rural Investment Act in 2002, an opportunity to adequately fund the salinity control program now exists. The NRCS State Conservationists for Utah, Wyoming, and Colorado now prepare a 3-year funding plan for the salinity efforts under EQIP. I support this plan, including the request for $17.3 million in fiscal year 2014. State and local cost-sharing will be triggered by and indexed to the Federal appropriation.

USDA salinity control projects have proven to be a cost-effective component of the salinity control program. The Basin States have cost-sharing dollars available to participate in on-farm salinity control efforts. The agricultural producers in the Upper Basin are willing to cost-share their portion and are awaiting funding for their applications to be considered.

Bureau of Reclamation studies show that quantified damages from Colorado River salinity to United States water users are about $376,000,000 per year, with these damages rising to $577,000,000 per year by 2030 if the Program was discontinued. Continued funding of USDA salinity control projects is important to protect the quality of Colorado River Basin water delivered to the Lower Basin States and Mexico. Also, irrigated agriculture in the Upper Basin realizes significant local benefits of improved irrigation practices.

I urge the Congress to designate at least $17.3 million in EQIP funds for the Colorado River Basin Salinity Control Program in fiscal year 2014.

[This statement was submitted by Estevan R. Lopez, Director, New Mexico Interstate Stream Commission.]

Prepared Statement of the Northwest Regional Housing Authority (NWRHA)

Since 2010, U.S. Department of Agriculture (USDA) Rural Housing programs have been cut by nearly $400 million. Further cuts to Rural Housing programs proposed by the administration's budget request are unwise and unwarranted. Funding for these programs needs to set at the higher of the President's fiscal year 2014 budget request or fiscal year 2013 levels, prior to sequestration, including: (1) $900 million for Section 502 Direct Homeownership Loans; and (2) $30 million for Section 523 Self-Help Housing Program.

The 502 Direct Program is the only Federal homeownership program that is exclusively targeted to very low- and low-income rural families. In the past 60 years, this program has helped more than 2.1 million families build wealth and achieve the American dream of homeownership. By law, 40 percent of 502 Direct Loan funds must be used to assist families earning less than 50 percent of area median income. 15,000 loan applications are currently on a waiting list for section 502 loan funding.

The section 523 program helps organizations to provide training, supervision and technical assistance to families. Families work nights and weekends providing construction labor on their own and each other's homes to decrease construction costs increase equity and build wealth. Every 100 homes built on this program results in 324 jobs, $21.1 million in local income and $2.2 million in tax revenue. Even though Self-Help families have lower income, default rates are significantly lower than other borrowers. More than 50,000 families are currently on Self-Help Housing waiting lists. Each family that builds a Self-Help home makes many sacrifices.

Throughout the process and after all the hard work they will say, yes, it was worth it. It does not make sense to let these programs deteriorate to the point of extinction. Thank you for the opportunity to address these issues today.

[This statement was submitted by Neal Gibson, Assistant Executive Director, Northwest Regional Housing Authority.]

PREPARED STATEMENT OF NSF INTERNATIONAL (NSF)

INTRODUCTION

NSF International (NSF) is pleased to have the opportunity to submit this statement regarding the Food and Drug Administration's (FDA) fiscal year 2014 appropriations.

NSF is an independent, not-for-profit organization that provides consensus national standards development, accredited product certification, third party auditing, training and risk management in the areas of public health and the environment.

Founded at the University of Michigan School of Public Health in 1944, NSF International is committed to protecting human health and the environment. Manufacturers, regulators, and consumers alike look to NSF to independently help protect the world's food, water, and health science and consumer products. We conduct more than 100,000 facility audits worldwide and certify products from more than 30,000 companies in over 100 countries. NSF is the leading global provider of accredited Global Food Safety Initiative audits that may qualify as recognized regulatory audits under section 805 and 808 of the Food Safety Modernization Act (FSMA).

NSF has maintained long and cooperative relationships with U.S. Federal agencies, including FDA, whose staff participate in NSF voluntary consensus national standards committees that cover commercial foodservice equipment, as an example. We believe our relationship with FDA has been mutually beneficial and supportive of public health.

In an era of limited resources, budget deficits, and the impact of the sequester, we are pleased to say that we can present the subcommittee with ways to save the U.S. taxpayer money through public-private partnerships that leverage FDA's resources in a most cost-effective manner.

DISCUSSION

Specific areas where NSF can help mitigate FDA's existing resource constraints, while helping the agency achieve its public health mission, include:

—*Facilitating Compliance with Dietary Supplements Good Manufacturing Practices (GMPs)*.—NSF has validated test methods for detection of known adulterants in dietary supplements as part of its agreements with major league sports organizations and with national anti-doping agencies. This detailed analytical work is conducted at NSF's ISO 17025-accredited laboratories in Michigan by experienced chemists. Testing is routinely performed for various known contaminants such as Sibitrumine, steroids, PDE 5 Inhibitors, DMAA, APIs, heavy metals, pesticides, and other substances. Through a pilot program with FDA, this effort can be formalized to meet FDA priorities and be utilized by the agency to facilitate its enforcement burden and conserve agency resources. The cost of commencing a pilot program through a cooperative agreement or other means in fiscal year 2014 would range from $500,000 to $1,000,000.

—*Providing GMP Training and Auditing Support for Compounding Pharmacies*.—NSF has the capability to develop training standards for compounding pharmacies producing specialized pharmaceuticals for use in the hospital environment. Ensuring that such products are not adulterated has traditionally fallen on State agencies with sometimes tragic results. FDA has not focused adequate resources on what has traditionally been considered a State regulated activity. NSF can develop a model Federal program that could be implemented by the States to ensure that compounding pharmacies employ qualified technicians that are trained to follow best practices. NSF also has programs for auditing Compounding Pharmacies GMPs.

—*Providing Support of Excipients in the Manufacture of Drugs and OTCs*.—FDASIA specifies new expectations with regard to supply chain, drug quality and expectations for the pharmaceutical industry. NSF has partnered with FDA and IPEC to develop ANSI/NSF Standard 363 for excipient GMPs. We recognize that FDA does not have all the resources it needs to inspect excipient manufacturers and NSF can help in this area through auditing and third party certification.

—*Providing Quality and Safety Support for Pharma Manufacturers*.—NSF has also developed a program for certifying Quality Professionals (QP) in the pharmaceutical industry for the European Union. While there is no "QP" requirement in the United States as there is in Europe, we believe that proper education of the industry, beyond the quality unit, enables personnel to make appropriate risk-based decisions that satisfy patient needs without sacrificing quality or safety.

—*Providing Support for OTC Manufacturers*.—NSF has also developed a program to focus on auditing and qualifying OTC drug manufacturers. We understand that FDA does not have the resources it needs to inspect all the facilities and this program can help protect consumers. The program incorporates elements of CFR, ICHQ10 and elements of FDASIA to ensure that OTC manufacturers are complying with all necessary requirements.

—*Support for Oversight of Asian Manufacturers*.—Assisting FDA with oversight of drug manufacturing and research in Asia by providing audit/inspection support and GMP training.

CONCLUSION

As the FDA seeks to cope with resource issues, NSF can align its programs with FDA's strategic goals in a manner that best supports the agency's public health mission. Such steps will allow the FDA to do more with less and at the end of day help reduce our Nation's budget deficit. We urge the committee to direct the FDA to consider such measures.

We would be pleased to work with the subcommittee and FDA in this regard.

Thank you for considering our views.

[This statement was submitted by Kevan P. Lawlor, President and CEO, NSF International.]

PREPARED STATEMENT OF THE OREGON WATER RESOURCES CONGRESS (OWRC)

The Oregon Water Resources Congress (OWRC) strongly supports the U.S. Department of Agriculture's (USDA) Natural Resources Conservation Service (NRCS) and is deeply concerned about reductions to programs important to our members for fiscal year 2014. OWRC is requesting that funding for NRCS' Environmental Quality Incentives Program (EQIP) be increased for fiscal year 2014 and that additional funding be dedicated to drought planning and assistance. Specifically, OWRC is requesting that funding for the Agricultural Watershed Enhancement Program (AWEP) portion of EQIP funded at a minimum of $70 million annually. Also, we request that the "Bridging the Headgates" MOU between NRCS and the Bureau of Reclamation be reactivated and expanded to include other Federal agencies to maximize Federal resources.

OWRC is a nonprofit trade association that represents irrigation districts, water control districts, drainage districts, water improvement districts, and other local government entities that provide water for agricultural use. These water stewards operate complex water management systems, including water supply reservoirs, canals, pipelines, and hydropower production, and deliver water to roughly one-third of all irrigated land in Oregon. OWRC has been promoting the protection and use of water rights and the wise stewardship of water resources on behalf of agricultural water suppliers for over 100 years.

NEED FOR INCREASED FISCAL YEAR 2014 APPROPRIATIONS

OWRC strongly supports USDA's strategic goal of ensuring "our national forests and private working lands are conserved, restored, and made more resilient to climate change, while enhancing our water resources." Federal support of water conservation activities funded through NRCS programs like EQIP, which includes the Agricultural Watershed Enhancement Program (AWEP), Conservation Innovation Grant (CIG), and several other important programs are essential to the conservation of our natural resources and critical to protecting our food, energy and water supply. Financial assistance for AWEP and other EQIP programs has been declining over the past several years while the need for financial assistance to carry out conservation activities has only increased, particularly in regards to addressing endangered and threatened species, drought and potential impacts from climate change. We worry that a further decline of funding for fiscal year 2014 will severely impact districts and other agricultural water suppliers.

While we recognize that the administration has increased funding for some of the NRCS programs, the need for additional financial assistance with conservation projects still far outweighs the budget. NRCS programs are essential to irrigation districts in developing and implementing conservation projects that benefit not only the individual farmers they serve but also the entire watershed and community as a whole. Furthermore, conservation projects also benefit the economy through job creation and ensuring the future viability of American agriculture.

Increased fiscal year 2014 appropriations for NRCS programs will yield benefits nationally and in Oregon. Conversely reduced funding will have hamper existing conservation efforts and potentially have dire consequences for water and land conservation efforts. The need and demand for EQIP funded programs far outstrips the availability of funds in previous years and we are deeply concerned about the impacts of further reductions.

For example, in 2012, Oregon NRCS requested approximately $3.1 million for project funding, but only received $2.4 million for existing AWEP approved projects and also requested approximately $3.2 million of CCPI funds, but received $3 million. In fiscal year 2013 Oregon requested $2.7 million for AWEP funding, but received $1.78 million and requested $1.3 million for CCPI, but received $1.03 million. Funding requests for NRCS overall are not being met. For fiscal year 2013 Oregon requested $24.7 million in financial assistance for NRCS funding, but received approximately $20 million. We are concerned that this declining trend will hamper not only existing conservation efforts but the ability of new projects to be implemented.

BENEFITS OF AWEP AND OTHER EQIP PROGRAMS

OWRC strongly supports AWEP and other EQIP programs that are critical tools for districts and other agricultural water suppliers in developing and implementing water and energy conservation projects in Oregon. AWEP has been highly successful in developing cooperative approaches on a basin-wide scale. This program allows districts and other agricultural water suppliers to partner with farmers to address regional water quantity and quality issues in local watersheds.

The Cooperative Conservation Partnership Initiative (CCPI) is a valuable program that allows eligible owners and operators of agricultural and nonindustrial private forest lands agricultural users to enter into multiyear agreements with NRCS to implement conservation measures using EQIP programs and other NRCS conservation programs authorized under the 2008 farm bill. CCPI is not a grant program, and therefore does not have a budget allocation, but we strongly support the continuance of this valuable program. CCPI allows partnerships to be formed with Federal, State and local interests to address Endangered Species Act (ESA) and Clean Water Act (CWA) issues in watershed basins and sub basins. We believe that water supply issues in Oregon and elsewhere in the Nation can be resolved best locally in cooperative partnership efforts that promote conservation with a more aggressive Federal funding partnership as defined in AWEP and CCPI.

AWEP and CCPI help fill a funding void for multi-partner conservation projects. Often large conservation projects do not include individual on-farm projects which limits the effectiveness of the project. AWEP and CCPI allow farmers to pool together and leverage the dollars invested in the off-farm project with the addition of EQIP on-farm projects. Due to the large number of successful project applications for AWEP, USDA will have to obligate a large amount of the proposed annual $60 million appropriation to existing multiyear projects. It is important that the funding for these projects not be interrupted so that they may be completed. However, it is equally important to have funding available for new eligible AWEP and CCPI projects that simultaneously benefit the environment and economy.

Additionally, CIG is another important component of EQIP and NRCS' conservation efforts. CIG helps support the development of innovative methods to address natural resources challenges that are critical to having success on the ground. Additional assistance is also needed to help farmers and other agricultural users plan for and adapt to potential impacts from climate change and ongoing drought and CIG is a viable method to spur creative solutions.

EXAMPLES OF SUCCESSFUL AWEP PROJECTS IN OREGON

Oregon has had several successful AWEP applicants over the past several years, three from our member districts (described below). The full list of Oregon projects can be found on the Oregon NRCS website at: http://www.or.nrcs.usda.gov/programs/awep/index.html.

—The Whychus Creek/Three Sisters Irrigation District Collaborative Restoration Project focuses on irrigation water efficiency with irrigation improvements in the Upper Division of the Three Sisters Irrigation District, which is the project partner. The effort will improve stream flows and water quality for native fish while providing farmers a reliable supply of water. Fiscal year 2013 funding: $180,000; fiscal year 2012 $251,300.

—The Talent Irrigation District Project works with agricultural producers to install conservation practices that will properly utilize limited surface water resources, improve water quality on flood irrigated land by converting to more efficient irrigation systems, and apply irrigation water management to eliminate irrigation runoff. Fiscal year 2013 funding: $0; fiscal year 2012 funding: $4,470.

—The Willow Creek Project helps landowners in the Lower Willow Creek Watershed portion of Malheur County convert to water-saving irrigation systems, reduce irrigation runoff, and improve water quality in Willow Creek and Malheur River. The project partner is the Vale Oregon Irrigation District. Fiscal year 2013 funding: $180,000; fiscal year 2012: $251,300.

Additionally, Oregon NRCS is helping develop the Save Water, Save Energy Initiative, a multi-agency cooperative effort to develop a clearinghouse of information on financial incentives and technical expertise to assist districts and their water users in implementing conservation measures. Additional innovative projects like the ones above could be developed and implemented in Oregon if more funding is made available.

BRIDGING THE HEADGATES MOU AND PLANNING NEEDS

There is also a need for continued coordination among Federal agencies like NRCS, the Bureau of Reclamation (BOR), Bureau of Land Management (BLM), Environmental Protection Agency (EPA), NOAA Fisheries, U.S. Fish and Wildlife Service, and Army Corps of Engineers (ACOE), and planning assistance to address and plan for various water challenges. Reactivating and expanding the "Bridging the Headgates" MOU presents an opportunity to leverage shared Federal resources. With the loss of watershed planning funding, reactivating and expanding this program to other Federal agencies would be a very cost-effective alternative. In the past, Oregon NRCS used a watershed resources planning team to conduct Rapid Watershed Assessments throughout Oregon. This planning program helped prioritize projects to bring about the most benefit in critical watersheds and getting on-the-ground conservation projects completed in a timely manner. A number of NRCS funded district projects have been implemented using the data from this program.

Following in the vein of the Rapid Watershed Assessments, Oregon has adopted a Strategic Approach to Conservation. The goal is to invest technical and financial resources to strategically solve natural resource problems and be more effective, efficient, and accountable for staffing, funding and partnerships. This strategy is intended to accelerate the conservation implementation and leverage technical and financial resources required to solve the problem. These types of program activities are effective tools that need a consistent funding source.

Furthermore, reactivating and expanding the "Bridging the Headgates" program is a viable option to leverage scarce Federal resources to help plan for and address drought, other natural disasters, and potential impacts from climate change. There is no USDA budget item or program to address drought yet it is imperative that farmers and other agricultural users have Federal assistance to help not only deal with the current drought conditions but be able to plan for and address future shortages. A coordinated effort between Federal agencies will not only be fiscally prudent, but also an effective use of time, institutional knowledge, and respective authorities.

CONCLUSION

Ensuring adequate water supplies for agriculture is of paramount importance to the continued economic, environmental, and cultural well-being of not only Oregon but all of America. Oregon's agricultural community is actively committed to developing and implementing innovative water conservation projects, but the continued success of these efforts requires Federal participation and meaningful investment in valuable programs like EQIP. Our member districts, the farms and other water users they serve, and the communities in which they are located benefit greatly from the NRCS programs described in our testimony. Increasing the budget for NRCS programs is a strategic investment that will pay both environmental and economic dividends to Oregonians and America as a whole. We urge you to increase funding for AWEP and related EQIP programs for fiscal year 2014. Thank you for the opportunity to provide testimony for the record on the proposed fiscal year 2014 budget for the U.S. Department of Agriculture.

[This statement was submitted by April Snell, Executive Director, Oregon Water Resources Congress.]

PREPARED STATEMENT OF THE PEW CHARITABLE TRUSTS—KIDS' SAFE AND HEALTHFUL FOODS (KSHF) PROJECT

Mr. Chairman, Ranking Member Blunt, and members of the subcommittee: I am pleased to provide testimony to this subcommittee on behalf of the Pew Charitable Trusts' Kids' Safe and Healthful Foods (KSHF) Project. The Kids' Safe and Healthful Foods Project provides nonpartisan analysis and evidence-based recommendations to policymakers to ensure that all foods and beverages sold in U.S. schools are as safe and healthful as possible. The following testimony details our support for the President's request for $35 million in new funding for the U.S. Department of Agriculture's (USDA) Food and Nutrition Service (FNS) to provide competitive equipment grants in support of local schools' efforts to upgrade and modernize their kitchens and cafeterias to prepare more nutritious foods and comply with new school nutrition standards.

Today, in particular, I would like to draw your attention to the urgent challenges facing school districts and administrators who often lack the modern, high-quality kitchen equipment necessary to prepare and serve healthful, nutritious foods. Consider having only a deep-fat fryer or a microwave in your own kitchen for preparing meals. This is the reality for the countless schools that feed America's children each day. The foods served by schools are an important source of the nutrients our children need to grow, learn and succeed, yet many schools are unable to provide safe and balanced menus because of broken, outdated or absent kitchen equipment.

The USDA, which administers school meal programs, has updated its nutrition standards to reflect the expert recommendations that children should eat more fruits, vegetables and whole grains. To meet these standards, schools need sufficient funds to replace outdated equipment and to train their staff in order to prepare safe, healthy meals. Unfortunately, many school kitchens were built decades ago and were designed with only the minimal capacity required to reheat and hold food. From the beginning of the National School Lunch Program (NSLP) in 1946 to the early 1980s, the Federal Government periodically provided grant funding for school kitchen equipment. After a 25-year period without financial support, through this subcommittee's leadership, in 2009 Congress provided $100 million for competitive assistance grants to States to support school kitchen equipment. Applications totaling more than $600 million poured in (see Appendix A)—a stark demonstration of the unmet need in schools eager to replace their antiquated equipment with steamers, ovens and salad bars. Research has shown that Government grants for kitchen upgrades and training can significantly improve the nutritional quality of school meals.

Two recent examples illustrate the strong arguments for targeted investments in new kitchen equipment:

MISSISSIPPI

Already a national leader in school nutrition standards, in 2009, Mississippi schools engaged in a statewide obesity prevention campaign and received $1.7 million in Federal funds to purchase kitchen equipment. Under the leadership of Governor Haley Barbour and the Governor's Taskforce on Childhood Obesity, the Healthy Kids, Healthy Mississippi initiative identified a wide range of policy options to help State leaders improve child health and reduce obesity in Mississippi, ranking school kitchen equipment upgrades among the top three priorities for State action. Replacing deep-fat fryers with combination oven-steamers enabled schools to serve baked chicken tenders and whole-grain rolls instead of fried chicken and other higher fat foods. Such changes have resulted in a significant reduction in the calories and saturated fat in school meals, and the healthier baked products received an overwhelmingly positive response from students and staff. And these changes may be paying off. Recent data suggests that rates of childhood obesity in Mississippi have started to decline.

MADISON, WISCONSIN

The Whole Kids Foundation, a charitable arm of Whole Foods, recently donated 15 salad bars to Madison, Wisconsin-area elementary schools, a small investment that school administrators highly value. According to Steve Youngbauer, director of food services for the Madison Metropolitan School District, "offering a salad bar option for students may be the most impactful change that school districts can make within a child nutrition program." The school district appreciates the healthier choices, but adding salad bars is not without cost to the district's budget. According to news reports, most Madison schools lack adequate kitchen infrastructure to fully support the fresh-prep salad bars. They may not have the appropriate refrigeration for fresh vegetables, or regulation sinks to wash tongs and trays. Targeted, competitive Federal grant funding is still needed in order to fully modernize basic kitchen and cafeteria infrastructure to help school districts meet the USDA's new nutritional standards for school meals, and ultimately, to help schools and parents improve kids' health and reduce the incidence of childhood obesity in the United States.

Research co-funded by the Pew Charitable Trusts and the Robert Wood Johnson Foundation (RWJ), in cooperation with the School Nutrition Foundation (SNF), further underscores the need for stable, robust competitive grant funding for school food infrastructure and equipment. In 2011, USDA finalized regulations to update nutrition standards for the National School Lunch and School Breakfast Programs for the first time in 15 years. The updated regulations raised the bar for school nutrition and challenge schools to prepare healthier, lower calorie meals for children during the school day. Our pilot study explored the type of equipment and training necessary for schools to successfully meet USDA's updated nutrition standards. The results of this initial study represent only a small sample of schools, and Pew is currently finalizing its analysis of a comprehensive national survey to evaluate these trends in more detail. However, the vast majority of respondents indicated that they lack adequate funds to repair and/or purchase the kitchen equipment or provide the staff training needed to prepare and serve healthier meals that meet USDA's proposed nutrition standards. In addition, the expected costs of updating kitchen equipment needed to meet new USDA standards varied widely, with a median estimate of over $50,000 per school district. Our very preliminary analysis of data from Pew's upcoming national survey confirms that schools clearly need, and would value, additional funding to support kitchen infrastructure and equipment upgrades to meet the new USDA nutrition standards.

Anecdotally, I can tell you that the majority of educators, parents, and school food service professionals I've been privileged to encounter over this first school year of the new nutrition standards are eager to provide healthy, nutritious, inviting meals to students, despite the equipment and infrastructure deficiencies facing our schools. I strongly urge the subcommittee to meet the President's request for $35 million for school equipment competitive grant funding in the fiscal year 2014 Agriculture Appropriations legislation. The Congress was extraordinarily generous and foresighted in committing $10 million to fund this account in fiscal year 2013—schools use these investments wisely and your continued support will help educators and parents to stay focused on improving the health and well-being of our Nation's children. Today's economic austerity is an obstacle to providing funds for this effort, but I know that the subcommittee recognizes the importance of undertaking every possible strategy to reduce childhood obesity. You also know of the tremendous dividends this strategy will pay in our children's future. Thank you for your consideration.

APPENDIX A—2009 ARRA FUNDING FOR NSLP EQUIPMENT ASSISTANCE [1]

State/Territory Name	Amount of Award
Alabama	$1,956,100
Alaska	286,227
Arizona	2,208,964
Arkansas	1,274,260
California	12,864,683
Colorado	1,034,538
Connecticut	785,878
DC	215,765
Delaware	233,284
Florida	5,403,280
Georgia	4,420,793
Guam	215,764
Hawaii	348,600
Idaho	481,315
Illinois	3,657,300
Indiana	1,937,595
Iowa	823,633
Kansas	849,759
Kentucky	1,769,888
Louisiana	2,069,399
Maine	307,008
Maryland	1,231,398

APPENDIX A—2009 ARRA FUNDING FOR NSLP EQUIPMENT ASSISTANCE [1]—Continued

State/Territory Name	Amount of Award
Massachusetts	1,404,025
Michigan	2,555,174
Minnesota	1,270,655
Mississippi	1,720,968
Missouri	1,838,222
Montana	224,981
Nebraska	532,209
Nevada	679,103
New Hampshire	215,765
New Jersey	1,859,763
New Mexico	924,743
New York	5,990,474
North Carolina	3,313,727
North Dakota	215,764
Ohio	2,957,271
Oklahoma	1,519,638
Oregon	1,030,828
Pennsylvania	2,872,047
Puerto Rico	1,532,183
Rhode Island	268,131
South Carolina	1,836,195
South Dakota	255,465
Tennessee	2,275,738
Texas	11,517,159
Utah	721,186
Vermont	215,765
Virgin Islands	215,764
Virginia	1,891,294
Washington	1,588,047
West Virginia	649,800
Wisconsin	1,316,711
Wyoming	215,674
Totals	100,000,000
National Totals:	
Total Amount Awarded	100,000,000
Total Amount Requested	639,328,915
Difference	−539,328,915

[1] Data source: USDA, 2012.

[This statement was submitted by Jessica Donze Black, RD, MPH, Director, Kids' Safe and Healthful Foods (KSHF) Project, the Pew Charitable Trusts.]

PREPARED STATEMENT OF PICKLE PACKERS INTERNATIONAL, INC.

CONCERN FOR SUSTAINED AND INCREASED RESEARCH FUNDING USDA/ARS

Summary

Sustained and increased funding is desperately needed to maintain the research momentum built over recent years and to defray rising fixed costs at laboratory facilities. Companies in the pickled vegetable industry generously participate in funding and performing short-term research, but the expense for long-term research needed to insure future competitiveness is too great for individual companies to shoulder on their own.

Additional Budget Requests for Fiscal Year 2014

Funding needs for USDA/ARS laboratories are as follows:

REQUESTS FOR PROGRAM ENHANCEMENT—PICKLED VEGETABLES

	Amount
Emerging Disease of Crops	$500,000
Quality and Utilization of Agricultural Products and Food Safety	500,000
Applied Crop Genomics	500,000
Specialty Crops	550,000
Total Program Enhancements Requested—Pickled Vegetables	2,050,000

USDA/ARS research provides:
—Consumers with over 150 safe and healthful vegetable varieties providing vitamins A, C, folate, magnesium, potassium, calcium, and phytonutrients such as antioxidant carotenoids and anthocyanins.
—Genetic resistance for many major vegetable diseases, assuring sustainable crop production with reduced pesticide residues—valued at nearly $1 billion per year in increased crop production.
—Classical plant breeding methods combined with bio-technological tools, such as DNA markers, genetic maps, and genome sequence to expedite traditional breeding and increase efficiency.
—New vegetable products with economic opportunities amidst increasing foreign competition.
—Improved varieties suitable for machine harvesting, assuring post harvest quality and marketability.
—Fermentation and acidification processing techniques to improve the efficiency of energy use, reduce environmental pollution, and reduce clean water intake while continuing to assure safety and quality of our products.
—Methods for delivering beneficial microorganisms in fermented or acidified vegetables, and produce reduced sodium, healthier products.
—New technology and systems for rapid inspection, sorting and grading of pickling vegetable products.

Health and Economical Benefits

Health agencies continue to encourage increased consumption of fruits and vegetables, useful in preventing heart disease, cancer, stroke, diabetes, and obesity.

Vegetable crops, including cucumbers, peppers, carrots, onions, garlic, and cabbage (sauerkraut), are considered "specialty" crops and not part of commodity programs supported by taxpayer subsidies.

Current farm value for just cucumbers, onions and garlic is estimated at $2.4 billion with a processed value of $5.8 billion. These vegetables are grown and/or manufactured in all 50 States.

INTRODUCTION

The pickled vegetable industry strongly supports and encourages your committee in its work of maintaining and guiding the Agricultural Research Service. To accomplish the goal of improved health and quality of life for the American people, the health action agencies of this country continue to encourage increased consumption of fruits and vegetables in our diets. Accumulating evidence from the epidemiology and biochemistry of heart disease, cancer, diabetes and obesity supports this policy. Vitamins (particularly A, C, and folic acid), minerals, and a variety of antioxidant phytochemicals in plant foods are thought to be the basis for correlation's between high fruit and vegetable consumption and reduced incidence of these debilitating and deadly diseases.

As an association representing processors that produce over 85 percent of the tonnage of pickled vegetables in North America, it is our goal to produce new products that increase the competitiveness of U.S. agriculture as well as meet the demands of an increasingly diverse U.S. population that is encouraged to eat more vegetables. The profit margins of growers continue to be narrowed by foreign competition. This industry can grow by meeting today's lifestyle changes with reasonably priced products of good texture and flavor that are high in nutritional value, low in negative environmental impacts, and produced with assured safety from pathogenic microorganisms and from those who would use food as a vehicle for terror. With strong research to back us up, we believe our industry can make a greater contribution toward reducing product costs and improving human diets and health for all economic strata of U.S. society.

Many small to medium sized growers and processing operations are involved in the pickled vegetable industry. We grow and process a group of vegetable crops, including cucumbers, peppers, carrots, onions, garlic, cauliflower, cabbage (sauerkraut) and brussels sprouts, which are referred to as "minor" crops. None of these crops are in any "commodity program" and do not rely on taxpayer subsidies. However, current farm value for just cucumbers, onions and garlic is $2.4 billion with an estimated processed value of $5.8 billion. These crops represent important sources of income to farmers and rural America. Growers, processing plant employees and employees of suppliers to this industry reside in all 50 States. To realize its potential in the rapidly changing American economy, this industry will rely upon a growing stream of appropriately directed basic and applied research from four important research programs within the Agricultural Research Service. These programs contribute directly to top research priorities that the Research, Education, and Economics Mission Area (REE) of the USDA has identified in that they develop vegetable crop germplasm and preservation technology that contributes to improved profitability with reduced pesticide inputs in a safer, higher quality product grown by rural farm communities across the United States, consequently improving food security and food safety. Improved germplasm, crop management practices and processing technologies from these projects have measurably contributed to the profitability, improved nutritional value and increased consumption of affordable vegetable crops for children and adults in America and around the world.

APPLIED CROP GENOMICS

The USDA/ARS has the only vegetable crops research unit dedicated to the genetic improvement of cucumbers, carrots, onions and garlic. ARS scientists account for approximately half of the total U.S. public breeding and genetics research on these crops. Their efforts have yielded cucumber, carrot and onion cultivars and breeding stocks that are widely used by the U.S. vegetable industry (i.e., growers, processors, and seed companies). These varieties account for over half of the farm yield produced by these crops today. All U.S. seed companies rely upon this program for developing new varieties, because ARS programs seek to introduce economically important traits (e.g., pest resistances and health-enhancing characteristics) not available in commercial varieties using long-term high risk research efforts. The U.S. vegetable seed industry develops new varieties of cucumbers, carrots, onions, and garlic and over 20 other vegetables used by thousands of vegetable growers. Their innovations meet long-term needs and bring innovations in these crops for the United States and export markets, for which the United States has successfully competed.

ARS scientists have developed genetic resistance for many major vegetable diseases that are perhaps the most important threat to sustained production of a marketable crop for all vegetables. Genetic resistance assures sustainable crop production for growers and reduces pesticide residues in our food and environment. Value of this genetic resistance developed by the vegetable crops unit is estimated at $670 million per year in increased crop production, not to mention environmental benefits due to reduction in pesticide use. New research has resulted in cucumbers with improved disease resistance, pickling quality and suitability for machine harvesting. New sources of genetic resistance to viral and fungal diseases, tolerance to environmental stresses, and higher yield have recently been identified along with molecular tools to expedite delivery of elite cucumber lines to U.S. growers. A new genetic resistance to nematode attack was found to almost completely protect the carrot crop from one major nematode. Carrots provide approximately 30 percent of the U.S. dietary vitamin A. New carrots have been developed with tripled nutritional value, and nutrient-rich cucumbers have been developed with increased levels of provitamin A. The genetic bases of onion flavor, as well as compounds that enhance cardiovascular health and have anti-carcinogenic effects have been determined and are being used to develop onions that are more appealing and healthier for consumers.

There are still serious vegetable production problems which need attention. For example, losses of cucumbers, onions, and carrots in the field due to attack by pathogens and pests remains high, nutritional quality needs to be significantly improved and U.S. production value and export markets should be enhanced. Genetic improvement of all the attributes of these valuable crops are at hand through the unique USDA lines and populations (i.e., germplasm) that are available and the new biotechnological methodologies that are being developed by the group. The achievement of these goals will involve the utilization of a wide range of biological diversity available in the germplasm collections for these crops. Classical plant breeding methods combined with bio-technological tools such as DNA markers, genetic maps, and genome sequences to expedite traditional cucumber, carrot and onion breeding and increase its efficiency. With this, new high-value vegetable products based upon genetic improvements developed by our USDA laboratories can offer vegetable processors and growers expanded economic opportunities for United States and export markets.

QUALITY AND UTILIZATION OF AGRICULTURAL PRODUCTS AND FOOD SAFETY

The USDA/ARS maintains a food science research unit that our industry looks to for new scientific information on the safety of our products and development of new processing technologies related to fermented and acidified vegetables. ARS scientists have consistently provided innovative solutions to processing challenges which have helped this industry remain competitive in the current global trade environment. Major accomplishments include: pasteurization treatments currently used for most acidified vegetables; the preservation technology used for manufacturing shelf stable sweet pickles; and fermentation technology (purging) used to prevent the formation of air pockets within fermented pickles. These innovations have improved processing and product quality and yielded significant savings industry-wide. Furthermore, with the advent of the Food Safety Modernization Act, commercial producers of acidified foods must meet critical limits established for the microbial safety. Microbial studies to meet safety requirements may be a significant financial burden to industry. USDA/ARS is uniquely positioned to generate data that will aid industry and FDA with determining safe processing parameters for these products. The pickling industry in the United States relies on USDA/ARS for the development of new and improved technologies that will increase the economic value of processed vegetable products, provide consumers with safe, high quality, healthful vegetable products, and reduce the environmental impact of industrial activities. Additional funding is needed to support important new research initiatives.

First, nearly all retail pickled vegetables are pasteurized for safety and shelf stability. Current steam and water bath pasteurizers rely on technology from the 1940s and 50s. Promising new technologies include continuous flow microwave technology and "hot-fill-and-hold" pasteurization. The objective is to reduce water use and significantly improve energy efficiency with new, scientifically validated thermal processing technology.

Second, additional research that offers significant economic and environmental advantages to the U.S. industry includes the reduction or replacement of salt in commercial vegetable fermentations. Calcium substitution of salt in commercial vegetable fermentations has the potential to eliminate salt disposal problems and create opportunities to manufacture calcium enriched, reduced sodium, healthier vegetable products. Reducing environmental impact and production costs for the manufacture of healthier products is essential to the sustainability of the U.S. industry.

Third, there is a growing body of research indicating that certain beneficial microorganisms (probiotics) improve human health by remaining in the intestinal tract after they are consumed. New processing technology is needed to develop high value probiotic vegetable products, opening new markets in the United States and improving the health benefits derived from consumption of fermented and acidified vegetables.

SPECIALTY CROPS

The USDA/ARS has research programs that focus on the development of innovative engineering technologies for rapid, nondestructive measurement and grading of tree fruits and pickling vegetables to enhance product quality and marketability and achieve labor cost savings. ARS scientists apply state-of-the-art optical and computer technologies, coupled with advanced mathematical, statistical and pattern recognition methods, for automatic, intelligent classification of fruits and pickling vegetables based on important quality attributes. In recent years, the research program has developed several imaging- and spectroscopic-based sensors and sensing technologies for rapid detection of the texture, flavor, and quality defects of pickling vegetables and fruits. USDA/ARS is nationally and internationally recognized for its pioneering research and development and technology transfer effort in spectral imaging-based inspection technology, which has found wide applications in food quality and safety inspection. Currently, ARS researchers are developing a spectral imaging-based common inspection platform and other related sensing technologies with substantially improved capabilities for quality evaluation and grading of pickling vegetables and fruits at the processing facility and in the field. The outcome of the research would greatly improve the current pickle inspection technology, reduce labor cost and enhance final product quality.

Quality inspection and assurance of pickling vegetables and other horticultural products is critical to growers and processors and ultimately consumers. Moreover, labor required for harvest and postharvest handling and processing operations represents a significant portion of the total production cost for specialty crops. While automatic systems are currently used in many vegetable and fruit processing facilities, they are only for inspecting product surface quality characteristics. Research is thus needed for developing more efficient and effective automated inspection technologies for internal quality assessment and grading of harvested pickling vegetables and other horticultural products. New and/or improved inspection technologies can help growers and processors assess, inspect and grade pickling vegetables and horticultural products rapidly and accurately for internal and external quality characteristics so that they can be directed to, or removed from, appropriate processing or marketing avenues. This will minimize postharvest losses of food that has already been produced, ensure high quality, consistent final product and end-user satisfaction, and reduce production cost. Expanded effort should also be directed at developing cost-effective, readily deployable sensors and sensing systems for real-time monitoring and measurement of the maturity and health or condition of pickling vegetables and fruits during growth and harvest, so that optimal production and harvest management schemes can be implemented to achieve cost savings and enhance product postharvest quality.

EMERGING DISEASE OF CROPS

USDA/ARS vegetable research addresses national problems confronting the vegetable industry of the southeastern United States. The mission of the laboratory is to develop disease and pest resistant vegetables, and also new, reliable, environmentally sound disease and pest management practices that do not rely on conventional pesticides. Programs currently address 14 crops, including those in the cabbage, cucumber, and pepper families, all of major importance to the pickling industry. USDA/ARS research is recognized worldwide, and its accomplishments include over 150 new vegetable varieties and many improved management practices.

Expansion of this program would directly benefit the southeastern vegetable industry. Vegetable growers depend heavily on synthetic pesticides to control diseases and pests. Cancellations of many effective pesticides directly impacts future vegetable crop production. Without the use of certain pesticides, producers will experience crop failures unless other effective, non-pesticide control methods are readily identified. In this context, the research on improved, more efficient and environmentally compatible vegetable production practices and genetically resistant varieties continues to be absolutely essential. Research like this can help provide U.S. growers with a competitive edge they must have to sustain and keep their industry vibrant, allowing it to expand in the face of increasing foreign competition. Current cucumber varieties are highly susceptible to a new strain of the downy mildew pathogen; this new strain has caused considerable damage to commercial cucumber production in some South Atlantic and Midwestern States during the past 5 years, and a new plant pathologist position could address this critical situation.

FUNDING NEEDS FOR THE FUTURE

It remains critical that funding continues the forward momentum in pickled vegetable research that the United States now enjoys and to increase funding levels as warranted by planned expansion of research projects to maintain U.S. competitiveness. We also understand that discretionary funds are now used to meet the rising fixed costs associated with each location. Additional funding is needed for genetic improvement of crops essential to the pickled vegetable industry, and for development of environmentally sensitive technologies for improved safety and value to the consumer of our products. The fermented and acidified vegetable industry is receptive to capital investment in order to remain competitive, but only if that investment is economically justified. The research needed to justify such capital investment involves both short-term (6–24 months) and long-term (2–10 years or longer) commitments. The diverse array of companies making up our industry assumes responsibility for short-term research, but the expense and risk are too great for individual companies to commit to the long-term research needed to insure future competitiveness. Donations of supplies and processing equipment from processors and affiliated industries have continued for many years.

It is important to note that fiscal year 2013 continuing resolution funding for USDA/ARS laboratories totaled $11,005,000. However, funding for all cucurbits equaled just $3,939,000 with only $1,718,000 directed toward pickled vegetable research. For fiscal year 2014, PPI is requesting an additional $2,050,000 in program enhancements that will provide needed research for pickled vegetables.

EMERGING DISEASE OF CROPS

There is a critical need to establish and fund a plant pathology position to address cucumber diseases, especially the disease caused by a new strain of the downy mildew pathogen responsible for recent extensive damage to cucumber production in South Atlantic and Midwestern States. The pathologist is needed to characterize pathogen strains and to develop new management approaches, as well as resistant cucumber varieties, to combat the disease. Ultimately, this proposed plant pathologist would accomplish research that results in effective protection of cucumbers from disease without the use of conventional pesticides.

	Amount
Fiscal year:	
2012/2013 continuing resolution	$456,100 (pickled vegetables)
2014 (budget)	To be determined
2014 Additional Request (Plant Pathologist and support)	$500,000

QUALITY AND UTILIZATION OF AGRICULTURAL PRODUCTS AND FOOD SAFETY

The current funding includes research and development for a variety of vegetable products, including fermented and acidified vegetables. For new research initiatives to reduce energy and water use, reduce environmental impact from commercial fermentations, and develop new health-promoting food (probiotic) technology, we request additional support of $500,000. This will provide support for Post-Doctoral or Pre-Doctoral research associates along with necessary equipment and supplies.

	Amount
Fiscal year:	
2012/2013 continuing resolution	$647,800 (pickled vegetables)
2014 (budget)	To be determined
2014 Additional Request (Post-doctoral and Pre-doctoral Research Associate and support)	500,000

APPLIED CROP GENOMICS

Emerging and persisting diseases, such as downy mildew, southern root knot nematode, and angular leaf spot of cucumber, threaten production of the crop in all production areas. We request an additional $500,000 to fully fund the scientists and support staff, including graduate students and post-doctorates for identifying and researching new sources of genetic resistance to emerging diseases.

	Amount
Fiscal year:	
2012/2013 continuing resolution	$456,600 (pickled vegetables)
2014 (budget)	To be determined
2014 Additional Request (Post-doctoral and Pre-doctoral Research Associate and support)	500,000

SPECIALTY CROPS

The current funding is far short of the level needed to carry out research on inspection, sorting and grading of pickling cucumbers and other vegetable crops to assure the processing and quality of pickled products. An increase of $550,000 in the current base funding level would be needed to fund the research engineer position.

	Amount
Fiscal year:	
2012/2013 continuing resolution	$157,500 (pickled vegetables)
2014 (Proposed budget)	To be determined
2014 Additional Request (Research Engineer and support)	550,000

Thank you for your consideration and expression of support for the USDA/ARS.

PREPARED STATEMENT OF THE RURAL HOUSING DEVELOPMENT CORPORATION (RHDC)

On behalf of Rural Housing Development Corporation (RHDC), I would like to thank the subcommittee for the opportunity to submit testimony on fiscal year 2014 appropriations for two of Department of Agriculture (USDA) Rural Housing Programs.

Since 2010, USDA Rural Housing programs have been cut by nearly $400 million. Further cuts to Rural Housing programs proposed by the administration's budget request are unwise and unwarranted. As such, I strongly urge this subcommittee to fund USDA Rural Housing programs at the higher of the President's fiscal year 2014 budget request or fiscal year 2013 levels, prior to sequestration, including: (1) $900 million for Section 502 Direct Homeownership Loans; and (2) $30 million for Section 523 Mutual Self-Help Housing Program.

RHDC is a nonprofit affordable housing organization in Utah. Since 1998, RHDC has promoted affordable housing opportunities to low-income families living in Central Utah. Over 300 single family homes have been built through USDA's Mutual Self-Help Housing program using the 502 loan in Central Utah and over 1,300 homes have been built across the State of Utah.

ABOUT THE MUTUAL SELF-HELP HOUSING PROGRAM

The Mutual Self-Help Housing program takes the rural tradition of barn-raising and puts it to use for families who, after working all day and all week, spend their nights and weekends building their own home. It is a model of how low-income families help themselves through sweat equity. Without the opportunity, many of these families would never own their own home. Consider the West family in Utah, a low-income family of five (three children ages 5, 3 and 1), who have lived in a two-room log cabin built in the 1880's. The cabin measures 21 by 26 feet, which is very similar to a two-car garage. In their own words:

"While we enjoy the 'coziness' of our home, it does present some challenges. The cabin is not well insulated. We can feel the wind through the single-paned windows and cracks throughout the house. Big rainstorms cause leaks. Other than weather problems, we are not sure which we have the most of living in the walls of our home: bees, spiders or mice. Our home is on a cinderblock basement built into a dike constructed to control the flooding of the river in the 1980's. Because of our close proximity to the river and lake we have had to face additional challenges. This year the ground water is so high it fills the septic tank causing the sewer to back up. The high water flow in the river also caused the water to seep through the cracks in our basement floor. At the highest point we had almost 2 inches of standing water. Even though the water level has recently dropped, we are left with the challenge of the profuse growth of mold. Every summer we have a mold problem in the basement. However, this year with the flooding, the mold is 100 percent worse. This makes us concerned for our family's health.

"Unfortunately for us, moving is not an option at this time. For these reasons we are telling you our story—not to complain, but to ask you for the much needed financial assistance in purchasing a new healthy home for our family under the Self-Help Housing Program. We cannot better our situation without your help."

Families like the West family have found refuge in building their own home and for that reason, take great care in the homes they have a major stake in. Of the 1,300+ homes built in Utah, there is a foreclosure rate of around 1 percent. The 502 Direct Loans used to finance these homes are paid back with interest and are perpetuated for future families.

ECONOMIC IMPACT

The economic impact in Utah has been substantial; it is anticipated that during 2012 and 2013, the Self-Help Housing program would bring Utah's economy approximately $40,335,444. The program also creates employment opportunities in rural areas; each year in Utah, over 400 jobs are created for subcontractors, suppliers, realtors, land developers, etc.

The section 502 program provides loans to low- and very-low income families at a low cost to the Government, and as mentioned, has a very low foreclosure rate. Sixty percent of the families borrowing direct loans from USDA have incomes at or below 60 percent of the area median income.

Some contend that the 502 Guarantee Loan program can assist families who are now receiving direct loans. There is ample evidence to the contrary; including an Economic Research Service report indicating that the guarantee loan program does not work as well in smaller, more isolated communities. Nor does the Guarantee Loan product have a track record of serving households with incomes at 60 percent AMI or less, while the direct loan program does. Only the Section 502 Direct Loan program can provide homeownership opportunities for many of the current work force in rural areas, who struggle to find affordable rental housing that is both safe and adequate for their family size. The loss of this program will also destabilize rural workers, negatively impacting rural employers.

I ask that the subcommittee look at ways to fund USDA Rural Housing programs at the higher of the President's fiscal year 2014 budget request or fiscal year 2013 levels, prior to sequestration, including: (1) $900 million for Section 502 Direct Homeownership Loans; and (2) $30 million for Section 523 Mutual Self-Help Housing Program.

I appreciate your consideration of this request.

[This statement was submitted by Brad Bishop, Executive Director, Rural Housing Development Corporation.]

PREPARED STATEMENT OF SELF-HELP ENTERPRISES (SHE)

Self-Help Enterprises is a regional nonprofit housing and community development organization serving eight expansive counties in California's agricultural San Joaquin Valley. Founded in 1965, Self-Help Enterprises has developed nearly 6,000 Self-Help Homes and 1,200 units of multifamily rental housing for farmworkers and other low-wage earners. In partnership with local governments, SHE has rehabilitated or replaced 6,000 homes, assisted 1,500 first-time homebuyers, and provided planning and technical assistance to dozens of small, unincorporated communities to help meet the needs for safe drinking water and wastewater treatment.

Since 2010, U.S. Department of Agriculture (USDA) Rural Housing programs have been cut by nearly $400 million. Further cuts to Rural Housing programs proposed by the administration's budget request are unwise and unwarranted. USDA's Rural Housing Service programs continue to be the most effective, and in many cases, the only, Federal resources to address the critical housing needs of rural America. As such, Self-Help Enterprises strongly supports an appropriation to fund USDA Rural Housing programs at the higher of the President's fiscal year 2014 budget request or fiscal year 2013 levels, prior to sequestration, including: (1) $900 million for Section 502 Direct Homeownership Loans; (2) $28 million for Section 504 Very-Low Income Rural Housing Repair Loans; (3) $29.5 million for Section 504 Very-Low Income Rural Housing Repair Grants; (4) $26 million for Section 514 Farm Labor Housing Program Loans; (5) $9 million for Section 516 Farm Labor Housing Program Grants; (6) $1.015 billion for Section 521 Multi-Family Rental Housing Rental Assistance Program; (7) $30 million for Section 523 Self-Help Housing Program; (8) $3.6 million for Section 533 Housing Preservation Grants Program; (9) $150 million for Section 538 Guaranteed Multi-Family Housing Loans; (10) $32.6 million for the Multi-Family Housing Preservation and Revitalization Program; and (11) $6.12 million for the Rural Community Development Initiative. We recommend that the (12) Section 515 Rural Rental Housing Program be funded at fiscal year 2012 levels of $64.5 million.

SECTION 523 MUTUAL SELF-HELP HOUSING PROGRAM

No other program combines the unique features which make the Self-Help program a success. The section 523 grants provide support to Self-Help sponsors who provide technical assistance, recruiting, training, and supervising to families to earn "sweat equity." This unique construction method also promotes strong communities by building close bonds among future neighbors. (PART review, www.expectmore.gov)

Created by the Housing and Community Development Act of 1968, the USDA Rural Development Section 523 Mutual Self-Help Housing Program is one of the best and most successful avenues to sustainable homeownership for low-income rural Americans.

With its roots in the tradition of barn raising, Mutual Self-Help Housing gives hardworking rural families the opportunity to work together to achieve the dream of homeownership which individually could not be attained. Mutual Self-Help Housing programs, which still retain a style reminiscent of pioneer barn raisings, provide the organizational structure that allows low-income families to build the homes they so desperately want and need. This includes the capital, training and supervision, coordination, accounting, and myriad of other technical skills necessary to any successful housing development effort.

The concept is straightforward: groups of 6–12 low-income families join together to pool their labor to build each other's homes, in the process building a neighborhood for their community, for their children, and for themselves. The future homeowners commit to completing 65 percent of the work necessary to build the homes. At Self-Help Enterprises, these families pour the concrete, frame the walls, and install electrical wiring, heating ducts, roof framing, as well as all finish, tile, paint, and trim. Reducing the labor cost of the home reduces the total cost of the home, enabling lower income households to become homeowners and earn equity at the same time.

The economic benefits extend far beyond the individual homeowners. As contractors are hired to turn raw land into subdivisions, local vendors provide building materials, and subcontractors complete technical work such as plumbing. Local governments receive building permit fees, and in the long term, property taxes from proud homeowners. Rural communities, often plagued with an abundance of substandard housing, gain an expanding stock of good housing and the stability that comes to a community of homeowners.

In the San Joaquin Valley each year, as many as 120 hardworking families each commit 1,400 hours, 40 hours per week, week after week, through the heat of summer and the cold of winter, sharing the labor necessary to build homes for their neighbors, their children and themselves.

It is popular today to talk about the importance for homebuyers to have "skin in the game" as protection against failed mortgages. Mutual Self-Help Housing families have more than skin in the game. They have skin, sweat, and occasionally a bit of blood as they invest themselves in the home of their dreams. And does it work? With 47 years of experience behind us, those of us at Self-Help Enterprises say "YES" unequivocally. Self-Help homebuilders achieve remarkable stability. Despite being the lowest income of the section 502 borrowers, our self-help homebuilders have lower delinquency rates and very low foreclosure rates.

No other path to homeownership for low-income families has proven to be as successful.

SECTION 502 DIRECT LENDING PROGRAM

The Section 502 Direct Loan program is an equally important element of Mutual Self-Help Housing, affording well-underwritten construction-to-permanent mortgages that finance the home from the start of construction to the final mortgage payment. But the reach of this model mortgage program goes far beyond self-help households.

Since the Housing Act of 1961, the USDA 502 Direct Loan Program has been a cornerstone of homeownership opportunity in rural America, with over 2 million homeowners seizing the opportunity for an affordable mortgage which would enable them to be homeowners in the town where they live and work. For a surprisingly low Federal budget cost, the 502 Direct mortgage is a well underwritten, affordable, no gimmicks financing for rural families who want to invest in homes and in their communities.

No other Federal home ownership program can match the profile of the families served by the section 502 direct loan program. The average income for families receiving direct loans is $27,000. By law, 40 percent of families participating in the program have incomes that do not exceed 50 percent of the median income. For the past 2 years at Self-Help Enterprises, fully 60 percent of the borrowers have incomes below 50 percent of median.

Despite serving families with limited economic means, the section 502 direct loan program is the most cost effective affordable housing program in the Federal Government. In fiscal year 2011, the total per unit cost for a homeownership loan to a low income family was about $3,000. There are a number of reasons for this overall low cost to the Government. First, a low interest rate environment reduces the cost of borrowing. Less well known is a longstanding requirement to recapture subsidy when a house financed under section 502 is sold. Essentially a family and the Government share in the appreciation on a home, taking into account how long a family has lived in the house. Recapture provides a substantial return to the Government.

Although the Section 502 Direct Loan Program lends to families with limited incomes, the program has a record of success not only in creating affordable homeownership opportunity, but also protecting the Federal investment. For example, in 2010, USDA Rural Development in California foreclosed on a mere 57 mortgages out of a loan portfolio of nearly 10,000 loans. This is a foreclosure rate of just over 0.5 percent and stands in stark contrast to what is happening in the conventional market in California.

It has been stated that the section 502 guarantee program is an alternative for families eligible for direct loans. It is not. The average annual income for families receiving the guarantee is $48,000. The majority of the loan guarantees go to households with incomes at or above 100 percent of the median, and only about 5 percent of families receiving guarantees make between 60–70 percent of the median. With the inevitable end of the current low interest rate environment, interest rates on 502 guarantee loans will once again rise, and the number of qualifying low income borrowers will drop, if not disappear altogether.

SUMMARY

USDA's Rural Housing Service and the resources it delivers represent vital resources to the people and the economies of rural American communities so desperate for jobs. As the recession seems finally to be fading in some areas of the country, its grip on rural America is still devastatingly strong. This is no time to reduce the investment so important to the recovery of rural America.

[This statement was submitted by Peter Carey, CEO, Self-Help Enterprises.]

PREPARED STATEMENT OF THE SELF-HELP HOUSING CORPORATION OF HAWAII

Since 2010, U.S. Department of Agriculture (USDA) Rural Housing programs have been cut by nearly $400 million. Further cuts to Rural Housing programs proposed by the administration's budget request are unwise and unwarranted. As such, the Self-Help Housing Corporation of Hawaii is requesting that this subcommittee fund USDA Rural Housing programs at the higher of the President's fiscal year 2014 budget request or fiscal year 2013 levels, prior to sequestration, including: (1) $900 million for Section 502 Direct Homeownership Loans; and (2) $30 million for Section 523 Mutual Self-Help Housing Program.

With the average sales price for a single-family house in Hawaii over $600,000, there would be no affordable homeownership opportunities in Hawaii without the USDA Rural Housing Programs. Because of the extreme gap of income levels for low-income families in Hawaii and the average housing prices, even the "workforce" of Hawaii cannot afford homeownership without subsidies offered by these programs.

Through the recent development of its 72-lot subdivision in a rural, low-income neighborhood, SHHCH is able to offer homeownership opportunities to 72 very-low and low-income families who will build their own houses through the Section 523 Mutual Self-Help Housing program. In turn, this will create more than 200 jobs through the construction of infrastructure, materials and equipment from building supply houses, and services from title companies, appraisers, insurance companies, lenders, etc. With the Federal funding of these programs acting as a catalyst, SHHCH has been able to leverage another $11 million in private financing to undertake this development. Additionally, very-low and low-income families, who presently live in substandard and severely crowded housing, not only improve their housing situations, but also gain equity, thereby continuing to improve their lives.

The Self-Help Housing Corporation has built 591 Self-Help Housing units throughout Hawaii for our State's firemen, policemen, teacher's aides, hospital workers, hotel workers, laborers, and those considered the "workforce" of Hawaii.

Currently, in a remote rural area of Maui, SHHCH is assisting Native Hawaiian low-income families to build three- and four-bedroom houses through the Section 523 Mutual Self-Help Housing and Section 502 Direct Loan Programs. This is the first affordable housing program in Hana in 35 years. Some of these Self-Help Housing families have no electricity or potable water in their existing houses. Without these programs, these families—and thousands of rural, low-income families across the country—would continue to live in severely substandard conditions, similar to conditions I saw as a Peace Corps volunteer in third-world countries!

In the past 3 years, more than 3,500 low income families in more than 37 States have built their own houses through the Section 523 Mutual Self-Help Housing program, working in tandem with the Section 502 Direct Loan program. Each Section 502 Direct Loan costs on average $7,200 over the entire 33 year amortization period. These programs are less expensive than rental subsidy programs.

Through these programs, families can improve their living situation, gain equity, and learn invaluable skills in leadership, team work, and building skills. In addition, the community benefits with a broadening of the tax base, an enhancement of property values, and an establishment of stable neighborhoods with well maintained houses. Every 100 homes built in this program results in 324 jobs, $21.1 million infused in the local economy, and $2.2 million paid in for tax revenues. These significant housing programs are assisting to rebuild the economy in rural areas.

I urge you, as at the leaders of our country, to consider funding such valuable community development programs at the higher of the President's fiscal year 2014 budget request or fiscal year 2013 levels, prior to sequestration, including: (1) $900 million for Section 502 Direct Homeownership Loans; and (2) $30 million for Section 523 Mutual Self-Help Housing Program.

[This statement was submitted by Claudia Shay, Executive Director, Self-Help Housing Corporation of Hawaii.]

PREPARED STATEMENT OF THE SOCIETY FOR WOMEN'S HEALTH RESEARCH (SWHR)

SWHR is pleased to submit written testimony to urge the committee to prioritize and provide an increase to the fiscal year 2014 budget authority (BA) appropriations (non-user fees) for the Food and Drug Administration (FDA) of $2.6 billion, and allocate $7 million for the Office of Women's Health for fiscal year 2014. This appropriation follows the President's request and is in line with the Alliance for a Stronger FDA, of which SWHR is represented on the Board of Directors. These recommended allocations will allow the agency to implement critical improvements in infrastructure, address resource shortages, and support needed investment into the Office of Women's Health (OWH), the focal point on women's health within the Agency.

While SWHR recognizes the need for responsible discretionary spending, proper and sustained funding of the FDA must remain a public priority. Fiscal year 2014 appropriations must reflect the FDA's increased responsibilities and workload mandated by Congress. Americans rely on the FDA every day, from promoting wellness and meeting healthcare needs to ensuring the safety of our food and keeping drugs safe and effective. In total, 25 percent of every consumer dollar spent in America is on products regulated by the FDA.

The FDA must meet the demands of American consumers and patients that expects proactive scientific and research leadership while assuring the safety and effectiveness of food, drugs and cosmetics. These demands result in the majority of FDA's budget, over 80 percent, already being allocated toward the salary of its scientists and staff; thus making needed investments in infrastructure, technology, and human collateral all but impossible. Each year brings new congressional mandates in addition to the increased globalization and complexity of our scientific research world. These challenges cannot be met without additional resources. Appropriate budgetary allocation must be provided to allow FDA to react acting in a proactive manner against emerging or known threats to food and drug security.

SWHR recognizes that Congress is focused on reducing our Federal deficit; however, proper and sustained investment in the FDA is important to the health, economic and national security of the Nation. As the thought leader in research on biological differences in disease SWHR is dedicated to transforming women's health through science, advocacy, and education and believes that sustained funding for the FDA and its regulatory responsibilities is absolutely essential if the United States is to meet the needs of its citizens, especially women.

In the past two decades, scientists have uncovered significant biological and physiological differences between men and women. Physiological differences and hormonal fluctuations may play a role in the rate of drug absorption, distribution, metabolism, elimination as well as ultimate effectiveness of response in females as opposed to males. However, information about the ways drugs may differ in various populations (e.g., women may require a lower dosage because of different rates of absorption or metabolism) are often unexplored, or female enrollment in studies is too low to adequately power statistically significant results. America's biomedical development process, while continuing to advance in delivering new and better targeted medications to combat disease, does not routinely analyze and reported sex differences. Though, recently the FDA did take the appropriate steps to inform the public about important sex differences finding in the dosing for sleep medications, however, FDA's requirement that the data acquired during research of a new drug or device's safety and efficacy be reported and analyzed as a function of sex is not universally enforced.

Under section 907 of the Food and Drug Administration Safety and Innovation Act of 2012 (FDASIA) the FDA now must prepare a congressional report and publish on the FDA website on the inclusion of demographic subgroups in clinical trials and data analysis in drugs, biologic and device applications submitted to the agency. The official response to this mandate is being coordinated by the Office of Women's Health (OWH) and the Office of Minority Health (OMH) and the FDA has established a Clinical Trials Data Workgroup to compile and share inclusion data from across the FDA. SWHR believes this important report, the publication on the website and internal FDA actions will help to rapidly transform our medical knowledge.

Sex differences data discovered from clinical trials can be presented to the medical community and to patients through education, drug labeling and packaging inserts, and other forms of alerts directed to key audiences. The FDA must assure accurate, sex-specific drug and device labeling to better serve male and female patients, as well as to ensure that appropriate data analysis of post-market surveillance reporting for these differences is placed in the hands of physicians and ultimately the patient.

The FDA must have the information technology to meet the daily demands of increased scientific complexity, globalization, the American public and Congress in order to guard the safety, efficacy, and security of human drugs, biological products, and medical devices. It was only 6 years ago in a Science Board Report review of the FDA, requested by then Commissioner von Eschenbach, that it was found that FDA's information technology (IT) systems were inefficient and incapable of handling the current demands placed on the Agency (2007). We do not want the FDA to fall behind again. Through advocacy efforts and appropriations increases, tremendous advances have been made throughout the Agency to modernize in the 6 years since that Science Board's report; however, it still remains a challenge for the Agency to access and maintain the information technology needed to meet the growing expectations from the American public and to fulfill its mission. FDA IT systems and infrastructure must be given the dedicated resources needed from appropriated dollars and user fees to meet the complex global and scientific world in which it operates.

FDA OFFICE OF WOMEN'S HEALTH

OWH like the Agency that houses it, requires steady and sustained investment to remain a key resource in advancing regulatory science and reporting of sex differences. OWH's programs endeavor to ensure that sex and gender differences in the efficacy of drugs (such as metabolism rates), devices (sizes and functionality) and diagnostics are taken into consideration in reviews and approvals. OWH seeks to correct sex and gender disparities within FDA jurisdiction and monitors women's health priorities, providing both leadership and an integrated approach to problem solving across the FDA.

OWH provides women with invaluable tools for their health. Each year, OWH exhausts its budget as its consumer pamphlets are the most requested of any documents at the Government printing facility in Colorado. More than 8 million OWH pamphlets were distributed to women across America, including target populations such as Hispanic communities, seniors and low-income citizens on topics such as breast cancer screening, diabetes, menopause hormone therapy, and medication use during pregnancy. OWH also partnered with the Federal Citizen Information Center and Usa.gov to conduct outreach promotions to disseminate OWH consumer publications to targeted minority groups and other special populations such as college students. During National Women's Health Week, May 2012, FDA OWH collaborated with the nationally syndicated Dear Abby advice column and the Federal Citizen Information Center to distribute 1.7 million OWH publications and 35,000 publications downloads as a part of OWH's "Healthy Women Action Kit". Such important outreach will be repeated this year. Further, OWH's intramural research program funded over 21 new and 17 continuing research studies conducted by FDA scientists in 2012 and 14 out of 22 concept papers have been selected in 2013.

Women across our great Nation rely on the high quality, timely information they need by OWH to make medical decisions on behalf of themselves and their families. OWH's website is regarded as a vital tool for consumers and physicians, providing free, downloadable fact sheets on over 100 different illnesses, diseases, and health related issues for women, as well as web trainings and online courses for medical professionals. OWH has created medication charts on several chronic diseases, listing all the medications that are prescribed and available for each disease. These are vital functions that our healthcare professionals and the public understand and utilize daily to make healthcare decision and must be maintained.

[This statement was submitted by Martha Nolan, Vice President, Public Policy, Society for Women's Health Research.]

LETTER FROM THE SOUTHERN NEVADA WATER AUTHORITY (SNWA) AND COLORADO RIVER COMMISSION OF NEVADA (CRCN)

APRIL 25, 2013.

Hon. MARK PRYOR,
Chairman, Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies,
Washington, DC.

RE: Continued Funding for the Colorado River Basin Salinity Control Program Under USDA's Environmental Quality Incentives Program (EQIP)

DEAR SENATOR PRYOR: As Congress continues work on the fiscal year 2014 budget, we urge you to support as a priority the continued funding for the Colorado River Basin Salinity Control Program (Program) under USDA's Environmental Quality Incentives Program (EQIP). This includes fiscal year 2014 Federal funding of $17 million to $18 million for salinity-specific projects to prevent further degradation of the quality of the Colorado River and increased downstream economic damages.

Salinity concentrations of Colorado River water are lower by more than 100 milligrams per liter (mg/L) since the initiation of the Program. The concentrations of salts in the Colorado River cause approximately $376 million in quantified damages in the Lower Basin each year and significantly more immeasurable damages. Modeling by the U.S. Bureau of Reclamation (Reclamation) indicates that quantifiable damages will rise to approximately $577 million per year by the year 2030 without the Program's continuation.

Colorado River water salinity increases from about 50 mg/L at its headwaters to more than 700 mg/L in the Lower Basin. High salt levels in the water cause significant economic damages downstream. For example, damages occur from:

—increased use of imported water and cost of desalination and brine disposal for recycling water in the municipal sector;
—a reduction in the useful life of water pipe systems, water heaters, faucets, garbage disposals, clothes washers, and dishwashers, and increased use of bottled water and water softeners in the household sector;
—an increase in the cost of cooling operations and the cost of water softening, and a decrease in equipment service life in the commercial sector;
—an increase in the use of water and the cost of water treatment, and an increase in sewer fees in the industrial sector;
—a decrease in the life of treatment facilities and pipelines in the utility sector;
—a reduction in the yield of salt sensitive crops and increased water use to meet the leaching requirements in the agricultural sector; and
—difficulty in meeting wastewater discharge requirements to comply with National Pollutant Discharge Elimination System permit terms and conditions, and an increase in desalination and brine disposal costs due to accumulation of salts in groundwater basins.

The Program reduces salinity by preventing salts from dissolving and mixing with the Colorado River's flow. The Program benefits Colorado River water users in both the Upper Basin through more efficient water management, and the Lower Basin through reduced salinity concentration of Colorado River water.

To deal with salinity level concerns, the Colorado River Basin Salinity Control Act (Act) was signed into law in 1974. The Act provides for the Secretary of the Interior to develop a comprehensive program for minimizing salt contributions to the Colorado River from lands administered by the Bureau of Land Management. Geological conditions and past management practices have led to human-induced and accelerated erosion processes from which soil and rocks, heavily laden with salt, are deposited in various stream beds or flood plains. As a result, salts are dissolved into the Colorado River system causing water quality problems for Lower Basin water users.

In enacting the Act, Congress directed that the Program be implemented in the most cost-effective way. The Program is currently funded under EQIP through the Natural Resources Conservation Service and under Reclamation's Basinwide Program. The Act has a cost-share requirement with all basin states through the Basin States Program (BSP). The BSP provides 30 percent of the total amount that is spent each year by the combined EQIP and BSP effort. To foster interstate cooperation and coordinate the basin states' efforts on salinity control, the seven basin states formed the Colorado River Basin Salinity Control Forum.

The Program has proven to be a very cost-effective approach to help mitigate increased salinity impacts on the Colorado River. Continued Federal funding of this Basinwide Program is essential to the Southern Nevada Water Authority and the Colorado River Commission of Nevada.

Again, we urge you to support continued funding of $17 million to $18 million for the Colorado River Basin Salinity Control Program under USDA's Environmental Quality Incentives Program for fiscal year 2014 to prevent further degradation of Colorado River water and increased Lower Basin economic damages, and to provide improved drinking water quality to nearly 40 million Americans.

Sincerely,

PATRICIA MULROY,
General Manager, Southern Nevada Water Authority.
JAYNE HARKINS, P.E.,
Executive Director, Colorado River Commission of Nevada.

PREPARED STATEMENT OF THE SOUTHERN NEVADA WATER AUTHORITY (SNWA) AND COLORADO RIVER COMMISSION OF NEVADA (CRCN)

Waters from the Colorado River are utilized by approximately 40 million people for municipal and industrial purposes, and also are used to irrigate approximately 4 million acres in the United States. Natural and man-induced salt loading of the Colorado River creates environmental and economic damages. The U.S. Bureau of Reclamation (Reclamation) has estimated the current quantifiable damages at about $376 million per year. Modeling by Reclamation indicates that the quantifiable damages will rise to approximately $577 million per year by the year 2030 without continuation of the Colorado River Basin Salinity Control Program (Program). Congress authorized the Program in 1974 to offset increased damages caused by continued development and use of the waters of the Colorado River. The United States Department of Agriculture (USDA) portion of the Program, as authorized by Congress and funded and administered by the Natural Resources Conservation Service (NRCS) under the Environmental Quality Incentives Program (EQIP), is an essential part of the overall effort. A funding level of $17 million to $18 million annually is required to prevent further degradation of the quality of the Colorado River and increased downstream economic damages.

In enacting the Colorado River Basin Salinity Control Act in 1974, Congress directed that the Program should be implemented in the most cost-effective way. The Program is currently funded under EQIP through NRCS and under Reclamation's Basinwide Program. The act requires that the seven basin States (Basin States) cost-share 30 percent of the overall effort (Basin Funds). Historically, recognizing that agricultural on-farm improvements were some of the most cost-effective strategies, Congress authorized a program for the USDA through amendment of the act in 1984. With the enactment of the Federal Agriculture Improvement and Reform Act of 1996, Congress directed that the Program should continue to be implemented as part of the newly created Environmental Quality Incentives Program. Since the enactment of the Farm Security and Rural Investment Act in 2002, there have been, for the first time in a number of years, opportunities to adequately fund the Program within EQIP. In 2008, Congress passed the Food, Conservation and Energy Act (FCEA), which addressed the cost-sharing required from the Basin Funds. In so doing, the FCEA named the cost-sharing requirement as the Basin States Program (BSP). The BSP will provide 30 percent of the total amount that will be spent each year by the combined EQIP and BSP effort.

The Program, as set forth in the act, is to benefit Lower Basin water users hundreds of miles downstream from the sources of salinity in the Upper Basin. The salinity of Colorado River waters increases from about 50 mg/L at its headwaters to more than 700 mg/L in the Lower Basin. There are very significant economic damages caused downstream by high salt levels in the water. EQIP is used to improve upstream irrigation efficiencies, which in turn reduce leaching of salts to the Colorado River. There also are local benefits from the Program in the form of soil and environmental benefits, improved water efficiencies, reduced fertilizer use, and lower labor costs. Local producers submit cost-effective applications under EQIP in Colorado, Utah and Wyoming and offer to cost-share in the acquisition of new irrigation equipment. The mix of funding under EQIP, cost-share from the Basin States, and efforts and cost-share brought forward by local producers has created a most remarkable and successful partnership.

After longstanding urgings from the Basin States and directives from Congress, NRCS has recognized that this Program is different from small watershed enhancement efforts common to EQIP. In the case of the Colorado River salinity control initiative, the watershed to be considered stretches more than 1,400 miles from the Colorado River's headwaters in the Rocky Mountains to the terminus in the Gulf of California in Mexico. Each year, the NRCS State Conservationists for Colorado, Utah and Wyoming prepare a 3-year funding plan for the salinity efforts under EQIP. The Colorado River Basin Salinity Control Forum (Forum) supports this funding plan which recognizes the need for $17.3 million in fiscal year 2014. This includes the funds needed for both farm and technical assistance. State and local cost-sharing is triggered by the Federal appropriation. The States and local producers are able and anxious to participate in the Program. The Forum appreciates the efforts of NRCS leadership and the support of this subcommittee in implementing the Program.

The Forum is composed of gubernatorial appointees from Arizona, California, Colorado, Nevada, New Mexico, Utah and Wyoming, and is charged with reviewing the Colorado River's water quality standards every 3 years. In so doing, it adopts a Plan of Implementation consistent with these standards. The level of appropriation requested in this testimony is in keeping with the adopted Plan of Implementation. If adequate funds are not appropriated, significant damages from the higher salinity concentrations in the water will be more widespread in the United States and Mexico.

Concentration of salt in the Colorado River causes approximately $376 million in quantified damages and significantly more in immeasurable damages in the United States and results in poor water quality for United States users. Damages occur from:

—a reduction in the yield of salt sensitive crops and increased water use to meet the leaching requirements in the agricultural sector;
—increased use of imported water and cost of desalination and brine disposal for recycling water in the municipal sector;
—a reduction in the useful life of water pipe systems, water heaters, faucets, garbage disposals, clothes washers, and dishwashers, and increased use of bottled water and water softeners in the household sector;
—an increase in the cost of cooling operations and the cost of water softening, and a decrease in equipment service life in the commercial sector;
—an increase in the use of water and the cost of water treatment, and an increase in sewer fees in the industrial sector;
—a decrease in the life of treatment facilities and pipelines in the utility sector; and
—difficulty in meeting wastewater discharge requirements to comply with National Pollutant Discharge Elimination System permit terms and conditions, and an increase in desalination and brine disposal costs due to accumulation of salts in groundwater basins.

Over the years, NRCS personnel have developed a great working relationship with farmers within the Colorado River basin. Maintaining salinity control achieved by implementation of past practices requires continuing education and technical assistance from NRCS personnel. Additionally, technical assistance is required for planning and design of future projects. Last, the continued funding for the monitoring and evaluation of existing projects is essential to maintaining the salinity reduction already achieved.

In summary, implementation of salinity control practices through EQIP has proven to be a very cost effective method of controlling the salinity of the Colorado River and is an essential component to the overall Colorado River Basin Salinity Control Program. Continuation of EQIP with adequate funding levels for salinity control within this program will assist in preventing further degradation of the water quality of the Colorado River and significant increases in economic damages to municipal, industrial and irrigation users. A modest investment in source control pays huge dividends in improved drinking water quality to nearly 40 million Americans.

As Congress continues work on the fiscal year 2014 budget, we urge you to support as a priority the continued funding for the Colorado River Basin Salinity Control Program (Program) under USDA's Environmental Quality Incentives Program (EQIP). This includes fiscal year 2014 Federal funding of $17 million to $18 million for salinity-specific projects to prevent further degradation of the quality of the Colorado River and increased downstream economic damages.

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In enacting the act, Congress directed that the Program be implemented in the most cost-effective way. The Program is currently funded under EQIP through the Natural Resources Conservation Service and under Reclamation's Basinwide Program. The act has a cost-share requirement with all basin States through the Basin States Program (BSP). The BSP provides 30 percent of the total amount that is spent each year by the combined EQIP and BSP effort. To foster interstate cooperation and coordinate the basin States' efforts on salinity control, the seven basin States formed the Colorado River Basin Salinity Control Forum.

The Program has proven to be a very cost-effective approach to help mitigate increased salinity impacts on the Colorado River. Continued Federal funding of this Basinwide Program is essential to the Southern Nevada Water Authority and the Colorado River Commission of Nevada.

Again, we urge you to support continued funding of $17 million to $18 million for the Colorado River Basin Salinity Control Program under USDA's Environmental Quality Incentives Program for fiscal year 2014 to prevent further degradation of Colorado River water and increased Lower Basin economic damages, and to provide improved drinking water quality to nearly 40 million Americans.

[This statement was submitted by Patricia Mulroy, General Manager, Southern Nevada Water Authority, and Jayne Harkins, P.E., Executive Director, Colorado River Commission of Nevada.]

Prepared Statement of The Wildlife Society (TWS)

The Wildlife Society appreciates the opportunity to submit testimony concerning the fiscal year 2014 budgets for the Animal and Plant Health Inspection Service, National Institute of Food and Agriculture, Natural Resources Conservation Service, and Farm Service Agency. The Wildlife Society was founded in 1937 and is a nonprofit scientific and educational association representing nearly 11,000 professional wildlife biologists and managers, dedicated to excellence in wildlife stewardship through science and education. Our mission is to represent and serve the professional community of scientists, managers, educators, technicians, planners, and others who work actively to study, manage, and conserve wildlife and habitats worldwide. The Wildlife Society is committed to strengthening all Federal programs that benefit wildlife and their habitats on agricultural and other private land.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Wildlife Services, a unit of APHIS, is responsible for controlling wildlife damage to agriculture, aquaculture, forest, range, and other natural resources, monitoring wildlife-borne diseases, and managing wildlife at airports. Its activities are based on the principles of wildlife management and integrated damage management, and are carried out cooperatively with State fish and wildlife agencies. In fiscal year 2014, the budget proposal includes a proposal to implement a national feral swine control program, which are a growing problem causing billions of dollars in damages nationwide, working cooperatively with the 38 States currently experiencing issues with feral swine. The President's request is a $13 million increase from fiscal year 2013. In recognition of the important work that Wildlife Services performs regarding methods development and wildlife damage management, we request that Congress support the President's request of $104 million to Wildlife Services in fiscal year 2014.

A key budget line in Wildlife Service's operations is Methods Development, which funds the National Wildlife Research Center (NWRC). Much of the newest research critical to State wildlife agencies is being performed at NWRC. In order for State wildlife management programs to be the most up-to-date, the work of the NWRC must continue. We recommend funding Methods Development at $18 million in fiscal year 2013.

NATIONAL INSTITUTE OF FOOD AND AGRICULTURE

The Renewable Resources Extension Act (RREA) provides an expanded, comprehensive extension program for forest and rangeland renewable resources. RREA funds, which are apportioned to State Extension Services, effectively leverage cooperative partnerships at an average of four to one, with a focus on private landowners. The need for RREA educational programs is greater than ever because of continuing fragmentation of land ownership, urbanization, diversity of landowners needing assistance, and increasing societal concerns about land use and increasing human impacts on natural resources. The Wildlife Society recommends that the Renewable Resources Extension Act be funded at $10 million.

The McIntire-Stennis Cooperative Forestry Program is essential to the future of resource management on non-industrial private forestlands while conserving natural resources, including fish and wildlife. As the demand for forest products grows, privately held forests will be increasingly needed to supplement supplies obtained from national forest lands. However, commercial trees take many decades to produce. In the absence of long-term research, such as that provided through McIntire-Stennis, the Nation might not be able to meet future forest-product needs as resources are harvested. We appreciate the $33 million in fiscal year 2013 and urge that amount to be continued in fiscal year 2014, per the President's request.

NATURAL RESOURCES CONSERVATION SERVICE

Farm bill conservation programs are more important than ever, given the huge backlog of qualified applicants, increased pressure on farmland from biofuels development, urban sprawl, and the concurrent declines in wildlife habitat and water quality. The Natural Resources Conservation Service (NRCS), which administers many farm bill conservation programs, is one of the primary Federal agencies ensuring our public and private lands are made resilient to climate change. NRCS does this through a variety of programs that are aimed at conserving land, protecting water resources, and mitigating effects of climate change.

One key program within the overall NRCS discretionary budget is Conservation Operations. The total fiscal year 2014 request for Conservation Operations is $808 million, down from $833 million in fiscal year 2013. Conservation Operation's Technical Assistance (TA) subactivity provides funding for NRCS to support implementation of the various farm bill programs. The fiscal year 2014 budget recommends $713 million in funding for TA, a decrease of $21 million from the fiscal year 2013 level of $734 million. The Wildlife Society encourages you to return funding for TA to the fiscal year 2011 level of $755 million.

Overall, The Wildlife Society believes more attention to TA delivery is needed. Changes in the 2008 farm bill greatly increased the number of conservation programs NRCS was required to support through delivery of TA. In addition, Congress expanded TA eligible activities in the 2008 farm bill to include conservation planning, education and outreach, assistance with design and implementation of conservation practices, and related TA services that accelerate conservation program delivery. TA will require funding levels from OMB that are more than what was historically allocated if NRCS is to fulfill congressional intent as expressed in the

2008 farm bill. Recently, Congress allowed the use of mandatory funds for TA and, under current economic conditions, The Wildlife Society believes that such funds must continue to be utilized for effective delivery to occur. The Wildlife Society urges Congress to authorize up to 30 percent of each mandatory program's funding for Technical Service Provider provisions as mandated by the 2008 farm bill and additional technical assistance to provide resources necessary to help meet NRCS TA shortfalls. Similarly, we strongly encourage Congress to explore new ways of funding technical assistance in fiscal year 2014 and beyond.

The Wildlife Society also supports the continuation of funding for the Conservation Effects Assessment Project. Information gathered from this effort will greatly assist in monitoring accomplishments and identifying ways to further enhance effectiveness of NRCS programs.

The Wildlife Society recommends farm bill conservation programs be funded at levels mandated in the 2008 farm bill. Demand for these programs continues to grow during this difficult economic climate at a time when greater assistance is needed to address natural resource challenges and conservation goals, including climate change, soil quality deficiencies, declining pollinator health, disease and invasive species, water quality and quantity issues, and degraded, fragmented and lost habitat for fish and wildlife.

We would like to specifically highlight the Wildlife Habitat Incentive Program (WHIP), a voluntary program for landowners who want to improve wildlife habitat on agricultural, non-industrial, and Indian land. WHIP plays an important role in protecting and restoring America's environment, and is doubly important because it actively engages public participation in conservation. We urge Congress to fully fund WHIP at $85 million.

The Voluntary Public Access and Habitat Incentives Program was first authorized in the Food, Conservation, and Energy Act of 2008 (2008 farm bill) for $50 million for fiscal year 2008–2012, and was administered by the Farm Service Agency. This funding has expired, and the fiscal year 2014 budget includes $5 million for the program within the NRCS budget. The Wildlife Society commends the administration for continuing to fund this program in fiscal year 2014. These funds will assist State and Tribal governments with needed resources to provide the public with additional outdoor opportunities. In addition, increased public access opportunities will help create jobs and stimulate rural economies. Continuity of program funding is critical to these programs that rely on landowner interest across multiple years.

FARM SERVICE ADMINISTRATION

The administration's request would increase funding for the Conservation Reserve Program (CRP) to $2.16 billion in fiscal year 2014, up from $2.107 billion in fiscal year 2013. This increase assumes a CRP enrollment of about 2.8 million acres in 2013. The Wildlife Society applauds FSA efforts to have a general sign-up in 2013 and each year in the foreseeable future, and to more fully utilize CRP enrollment authority to address conservation needs. Lands enrolled in CRP are important for the conservation of soil on some of the Nation‘s most erodible cropland. These lands also contribute to water quantity and quality, provide habitat for wildlife that reside on agricultural landscapes, sequester carbon, and provide a strategic forage reserve that can be tapped as a periodic compatible use in times when other livestock forage is limited due to drought or other natural disasters. We strongly encourage Congress to fund CRP at a level that fully utilizes program enrollment authority through CRP general sign-up. We are pleased with and support the coming general sign-up. However, we are concerned about the proposed reduction in the acreage cap from 32 million to 25 million by 2018.

Thank you for considering the views of wildlife professionals. We look forward to working with you and your staff to ensure adequate funding for wildlife conservation.

PREPARED STATEMENT OF THE USA RICE FEDERATION

Dear Chairman Pryor and Ranking Member Blunt: This is to convey the rice industry's requests for fiscal year 2014 funding and related policy issues for selected programs under the jurisdiction of your subcommittee. The USA Rice Federation appreciates your assistance in making this statement a part of the hearing record.

The USA Rice Federation is the global advocate for all segments of the U.S. rice industry with a mission to promote and protect the interests of producers, millers, merchants, and allied businesses. USA Rice members are active in all rice-producing States: Arkansas, California, Florida, Illinois, Kentucky, Louisiana, Mississippi, Missouri, Tennessee, and Texas. The USA Rice Producers' Group, the USA Rice

Council, the USA Rice Millers' Association, and the USA Rice Merchants' Association are members of the USA Rice Federation. The rice industry annually supports about 128,000 jobs and more than $34 billion of economic output nationally.

USA Rice understands the budget constraints the subcommittee faces when developing the fiscal year 2014 appropriations bill. We appreciate past support for initiatives that are critical to the rice industry and look forward to working with you to meet the continued needs of research, food aid, and market development in the future.

A healthy U.S. rice industry is also dependent on the program benefits offered by the farm bill. Therefore, we oppose any attempts to modify the farm-safety-net support levels provided by this vital legislation through more restrictive payment limitations or other means and encourage the subcommittee and committee to resist such efforts during the appropriations process, especially given that the 2008 farm bill has been extended for 1 year, is paid for, and represents a contract with America's producers. In addition, the House and Senate Agriculture Committees are working currently to reauthorize the farm bill this year. USA Rice also strongly opposes reducing the farm-safety net to appropriate funds for other Federal programs. We urge that the President's fiscal year 2014 legislative proposals be rejected that would eliminate direct payments and change crop-insurance provisions. We also urge that the planned submission of legislation for a user fee to help cover the costs of conservation planning services by the Natural Resources Conservation Service be rejected.

A list of the programs the USA Rice Federation supports for appropriations in fiscal year 2014 are as follows:

MARKET ACCESS

Exports are critical to the U.S. rice industry. About 50 percent of the U.S. crop is exported annually in a highly competitive world-rice market. Those directly involved in U.S. rice exports contributed $6 billion in output and supported more than 14,000 jobs. The Market Access Program (MAP) and Foreign Market Development (FMD) Program play key roles in helping to promote U.S. rice overseas. USA Rice Federation industry members spend $5 in matching funds for each $1 of FAS funds received. The USA Rice Federation currently is using MAP and FMD funding in 30 markets to conduct successful export-market-development initiatives.

The Foreign Market Development Program allows USA Rice to focus on importer, foodservice, and other non-retail promotion activities around the world. This program should be fully funded for fiscal year 2014 at $34.5 million.

The Market Access Program (MAP) allows USA Rice to concentrate on consumer promotion and other activities for market expansion around the world. This program should also be fully funded for fiscal year 2014 at $200 million.

In addition, the Foreign Agricultural Service should be funded to the fullest degree possible to ensure adequate support for trade-policy initiatives and oversight of export programs. These programs are critical for the economic health of the U.S. rice industry.

FOOD AID

Food-aid sales historically account for an important portion of U.S. rice exports.

For Public Law 480 Title II/Food for Peace, we strongly support funding title II up front at $2.5 billion, which would help to make possible satisfying the 2.5 million MT amount required by statute. We encourage the subcommittee to fund title II at the higher level to ensure consistent tonnage amounts for the rice industry. We strongly oppose the shifting of any title II funds to USAID, which the President's budget proposes. Title II funds have traditionally been contained within USDA's budget.

We believe all U.S. food-aid funds should continue to be used for food-aid purchases of rice and other commodities from only U.S. origin.

The McGovern-Dole International Food for Education and Child Nutrition Program is a proven success and it is important to provide steady, reliable funding for multiyear programming. USA Rice supports funding for this education initiative because it efficiently delivers food to its targeted group, children, while also encouraging education, a primary stepping-stone for populations to improve economic conditions.

RESEARCH

U.S. agricultural-research needs are great and the challenges are plentiful. USA Rice strongly supports funding for the core-capacity programs at land-grant institutions, USDA's intramural-research activities, and the National Institute of Food and

Agriculture and its Agriculture and Food Research Initiative at levels that would continue the commitment to strong agricultural research by and through USDA.

Specifically, we support the President's request of $1.124 billion for the Agricultural Research Service (ARS), which includes the National Rice Research Center at Stuttgart, Arkansas, where key rice research is conducted. The research areas include important and emerging issues, such as sustainability, water-use efficiency, and arsenic-related issues in rice. Adequately funding these research priorities is critical to the competitiveness and long-term viability of the U.S. rice industry.

FARM SERVICE AGENCY, RISK MANAGEMENT AGENCY, AND NATURAL RESOURCES CONSERVATION SERVICE

We encourage the subcommittee to provide adequate funding so the agencies can deliver essential programs and services, including for improved computer hardware and software. Our members fear a serious reduction in service if sufficient funds are not allocated, particularly because USDA could be called on in 2013 to implement a new farm bill, with implementation extending into fiscal year 2014.

Please feel free to contact us if you would like further information about the programs we have listed. Additional background information is available for all of the programs we have referenced; however, we understand the volume of requests the subcommittee receives and have restricted our comments accordingly.

Thank you for your consideration of our recommendations.

[This statement was submitted by Reece Langley, Vice President, Government Affairs, USA Rice Federation.]

LIST OF WITNESSES, COMMUNICATIONS, AND PREPARED STATEMENTS

SUBJECT INDEX

DEPARTMENT OF AGRICULTURE

MARKETING AND REGULATORY PROGRAMS

NATURAL RESOURCES AND ENVIRONMENT

OFFICE OF INSPECTOR GENERAL

Page

OFFICE OF THE SECRETARY

RESEARCH, EDUCATION AND ECONOMICS

RURAL DEVELOPMENT

DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOOD AND DRUG ADMINISTRATION

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