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Appropriations

FARM SERVICE AGENCY

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

Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to provide information on Farm Service Agency (FSA) programs and funding. Our Fiscal Year (FY) 2017 Budget emphasizes our commitment to expand and create opportunities for more rural Americans, support the next generation of farmers and ranchers, provide an open and accessible information gateway to rural America, and provide efficient and effective customer service. In addition, we will continue to invest in streamlining/modernizing our information technology operations to improve user experience, share information, and increase self-service capabilities for the benefit of farmers and ranchers.

Agency Operations

FSA delivers its programs through 2,124 county-level USDA Service Centers, of which 2,078 are full-time offices and 46 are part-time offices, located in the 50 States as well as Puerto Rico, the Virgin Islands, and the Western Pacific Territory. In addition, FSA has 50 State offices and offices in Washington, DC, Kansas City, St. Louis and Salt Lake City. For FY 2015, FSA's Federal staff year equivalent was 3,930 and non-Federal staff year equivalent was 8,394. Total FSA staff year equivalent was 12,324, of which 11,144 were in State and county offices.

Business Processes and Strategy

In FY 2015, FSA implemented several new programs authorized by the Agricultural Act of 2014 (2014 Farm Bill) in record time and at the same time, expanded opportunities for new and beginning farmers. FSA houses the largest repository of farm record data in the U.S.; containing extensive farmer and rancher business operation information, current and historical acreage and planting records, and a robust rural geospatial mapping warehouse. FSA is uniquely positioned to be a gateway for farmers and ranchers to access a broad range of agricultural resources as we continue to deliver programs that strengthen the financial safety net, and support the next generation of farmers and ranchers. In support of this vision, FSA developed a program service delivery model incorporating strategic partnerships across USDA, State and local agriculture organizations and commodity groups. For example, FSA offices can act as a “bridge to opportunities,” connecting a dairy farmer with Federal and local grants or loans to install an anaerobic digester on his/her farm or a beginning farmer on how to access local markets to sell fruits and vegetables as a complement to his or her existing business. The initial success of the Bridges-to-Opportunity initiative, as well as very successful collaborations with our university and extension partners in developing web-based decision tools for new farm bill programs, led FSA to offer $2.5 million in competitive cooperative agreements in FY 2016 to partners who reach underserved constituents, offer assistance and connect them to FSA programs and services. These efforts will produce innovative strategies to ease the learning curve for farmers and ranchers, equip them with new skills and resources, and offer them seamless, comprehensive service from USDA ultimately stimulating rural economies.

In FY 2016, FSA will continue to refine and focus its business strategy; to improve customer application processes; streamline program delivery; provide additional customer technical assistance; share data needed for program eligibility determinations; improve the timeliness and correctness of loans, payments, and program compliance; provide new customer self-service options; and address challenges and inefficiencies identified by field office staff.

Information Technology

FSA information technology (IT) services will continue to support operations and provide incremental program IT improvements for farm programs, farm loans, commodity operations, and the State office and county-level Service Centers. Because meeting business objectives clearly depends on IT systems and services critical to daily operations, FSA continues to ensure the availability, security and integrity of our current portfolio of IT applications and services – services that are used every day by FSA employees, thousands of USDA partner agency employees, and over 8 million customers. With ongoing investments in the USDA nationwide telecommunication infrastructure as well as network, data center and application operational enhancements, FSA is continuing to work with the USDA Office of the Chief Information Officer and the Office of the Chief Financial Officer to improve the experience and performance for FSA users in the 2,124 county-level USDA Service Centers.

From a program delivery perspective, FSA will continue to deliver and improve IT applications and services for FSA farm programs, farm loan programs, commodity operations, financial management, and geospatial services. Program enablement allows FSA to continually improve IT solutions to support current and updated business needs in response to legislative, regulatory, policy, and business functional changes. Farm program enablement supports improvement for programs such as Disaster, Conservation, Noninsured Crop Disaster Assistance Program (NAP), Agriculture Risk Coverage and Price Loss Coverage (ARC/PLC), Price Support and financial accounting improvements. In addition, in accordance with the Consolidated Appropriations Act of 2016, FSA will offer commodity certificates as an option for redemption of marketing assistance loans. Farm loan program IT systems continue to invest in a customer portal to enhance the Direct Loan System which, when implemented, will provide customers with direct web access to process farm loan applications, check on loan status, and make payments online. Farm loan program IT systems also will provide an agency solution for preparing and processing internal and external loan appraisals in support of Direct, Guaranteed, and Farm Storage Facility Loans.

IT-supported program delivery also focuses on broader FSA and multi-Agency capabilities such as customer and farm records, the repository of geospatial and farm information, common payment services and enterprise data reporting. For example, FSA is incrementally expanding customer self-services and the implementation of enterprise-wide data management, reporting capabilities, and analytics.

In 2015, FSA made significant progress in IT modernization by moving the final business process reliant on the obsolete AS400 technology to a web-based system. With FSA programs retired from the AS400 technology and migrated to modern platforms, FSA is now delivering an integrated set of farm program delivery applications and services.

FSA continues to pursue streamlined and strategic use of IT resources to provide for sharing of farm and producer data, such as the Acreage Crop Reporting Streamlining Initiative (ACRSI). The ACRSI vision is to “have a common USDA framework for producer commodity reporting in support of USDA programs.” As part of the ACRSI initiative, producers may now report acreage through their Agricultural Insurance Provider (AIP), FSA Service Center, or through third party channels using Precision Agriculture. We are continuing to expand this capability for additional commodities and locations. In addition, the new FSAfarm+ portal allows producers to view, download and print electronic acreage reports including common land unit information. These services support and help unify customer and agricultural community-focused service delivery IT solution(s) for agency staff to meet the needs of the local agricultural community.

Moving forward, these operational, program enablement and long-term strategic efforts aim to provide continuous business process improvements to our applications and services, support legislative changes to programs, business requirements and technology, and enable new customer models that support FSA as it becomes the gateway for farmers and ranchers to access a broader array of rural and agricultural support services.

Program Update

The 2014 Farm Bill significantly changed FSA's safety net programs, repealing the Direct and Counter-Cyclical Program and the Average Crop Revenue Election program, and introducing the new ARC and PLC programs. Between the fall of 2014 and spring of 2015, FSA worked with farmers to reallocate base acres and update yields and processed ARC/PLC program elections for over 1.76 million farms. To help farmers make these program decisions, FSA staff led, or participated in, an unprecedented educational effort with more than 5,000 events and over 5 million postcards mailed to producers and landowners to inform them of upcoming deadlines for important decisions.

Both ARC and PLC payments depend on the 12-month market year average price, and the payment amount depends on calculations for 100,000 crop/county/practice yield (irrigated vs. non-irrigated) combinations. By statute, these payments cannot be made until October of any given year. On October 26, 2015, FSA issued nearly $4 billion in ARC and PLC payments to roughly 800,000 of the 1.7 million producers enrolled. These 2014-crop payments were the first ARC/PLC payments to be issued since the 2014 Farm Bill was enacted, marking a significant policy shift from direct payments to a market-based safety net. To date, approximately $5.2 billion in ARC/PLC payments have been made for 2014-crop losses.

FSA implemented the new Margin Protection Program for Dairy (MPP-Dairy) and approximately 25,000 producers—over half of all U.S. dairy operations—enrolled in both calendar years 2015 and 2016. MPP-Dairy offers: catastrophic coverage for an annual $100 administrative fee and various buy-up coverage levels. Catastrophic coverage provides payments when the national dairy margin (the difference between milk prices and feed costs) is less than $4 per hundredweight (cwt). Producers may purchase buy-up coverage, for a premium, that provides payments when margins are between $4 and $8 per cwt. With relatively stable dairy markets in 2015, margins were near historical averages and payments were made only to producers with the highest buy-up coverage level of $8 per cwt, with 261 dairy operations receiving modest payments. MPP-Dairy provides producers with protection when the margin between milk price and feed costs is low, during time of low milk prices and/or high feed costs. For example, if we apply 2015 MPP-Dairy enrollment and payment rules to the 2009-2014 time period, a time of considerable variability in milk prices and feed costs, the program would have paid out $2.5 billion to producers, who paid $500 million in premiums and fees to enroll.

The 2014 Farm Bill permanently reauthorized four FSA disaster programs – the Livestock Forage Disaster Program (LFP), the Livestock Indemnity Program (LIP), the Emergency Assistance for Livestock, Honey Bees, and Farm-raised Fish Program (ELAP), and the Tree Assistance Program (TAP) – and authorized retroactive payments for these programs to cover losses back to October 1, 2011. Since the passage of the Farm Bill, FSA has paid producers approximately $6 billion to recover from natural disasters, including drought and wildfires.

Although the marketing assistance loan program was largely unchanged by the 2014 Farm Bill, the Consolidated Appropriations Act of 2016 reauthorized commodity certificates, which provide an additional loan repayment option. FSA implemented these certificates within two months of their reauthorization, including retroactive provisions that benefit cotton producers back to August 1, 2015, the start of the cotton marketing year. Producers can purchase commodity certificates when the loan rate for a given crop exceeds the exchange rate (i.e. the Adjusted World Price, National Posted Price, or Posted County Price). The gains producers receive by purchasing and exchanging commodity certificates do not count against the payment limits for farm program payments under the 2014 Farm Bill.

As of February 2016, 23.7 million acres were enrolled in the Conservation Reserve Program (CRP), 13.1 million acres below peak enrollment in 2007. Because CRP is currently near the 2014 Farm Bill imposed 24-million-acre cap, any new enrollments will be limited to the number of acres expiring each year. These limited enrollment opportunities make it imperative that FSA enroll only the most environmentally sensitive acreage in CRP to maximize environmental benefits on a per-acre basis. We are pursuing continuous signup options to achieve this targeting, and in FY 2015, continuous signup enrollment topped 800,000 acres, the largest enrollment ever.

In lieu of a general signup in FY 2015, a 1-year contract extension was offered for general signup contracts that were not over 14 years in length, and were set to expire on September 30, 2015. About 500,000 acres received this 1-year extension (about 58 percent of eligible acres). The FY 2016 CRP general enrollment period began on December 1, 2015, and ended on February 26, 2016. In addition, enrollment in CRP Grasslands—a new 2014 Farm Bill program—is on-going.

Both net cash and net farm income fell for the second consecutive year in calendar year 2015 and, although the farm economy remains strong, financial pressure is increasing. This situation has increased the demand for short-term operating loans, and increased restructuring of existing loans. The microloan program, first made available in 2013, has been hugely successful, particularly to new and beginning farmers, providing more than 18,000 low-interest loans, totaling over $400 million to producers across the country. Microloans provide up to $50,000 to qualified producers and are issued to the applicant directly from FSA. Microloans have helped farmers and ranchers with operating costs, such as feed, fertilizer, tools, fencing, equipment, and living expenses. About seventy percent of microloans have gone to new and beginning farmers. FSA is working to make microloans available for farmland and building purchases, and soil and water conservation improvements. These new farm ownership microloans will address a critical challenge facing many producers – access to land and land tenure.

FSA also implemented the Highly Fractionated Indian Land (HFIL) Loan Program in December 2015. This program provides loans to eligible organizations or institutions, which in turn re-lend to qualified individuals, entities, and tribes to purchase fractionated interests of land. To ensure the success of the HFIL Loan Program, FSA engaged in tribal consultation very early in the process of its development.

Building on the success of collaborative efforts in 2014 and 2015 that helped producers with their ARC/PLC and MPP-Dairy decisions, FSA is developing additional partnerships. In

FY 2015, FSA announced the availability of $2.5 million in cooperative agreement funding for nonprofits and universities to facilitate program outreach to underserved communities, including veterans, beginning farmers and ranchers, minority producers, and organic/specialty crop producers. The first round of proposals was submitted in late 2015 and awardees will soon be announced. These 1-year cooperative agreements are focused on increasing access to FSA programs and improving technical assistance outreach and financial education.

Budget Request

Commodity Credit Corporation (CCC)

CCC FY 2017 baseline expenditures are projected to be $13.5 billion, an increase of approximately $3.2 billion forecast from FY 2016, which is primarily due to the first ARC and PLC program payments being made in FY 2016 for the 2014 crop year. In FY 2015, net CCC outlays were $6.7 billion, as compared to $11.1 billion in FY 2014. The decrease was primarily due to the repeal of direct payments that were authorized under the 2008 Farm Bill, and that no ARC and PLC payments were made in FY 2015.

CCC is authorized to replenish its borrowing authority, as needed, through annual appropriations up to the amount of net realized losses recorded in CCC's financial statements at the end of the preceding fiscal year. In FY 2016, CCC received $6.9 billion for reimbursement of 2015 losses.

Loan and Grant Programs

The FY 2017 budget proposes $6.7 billion in total loan level for farm loans, which includes $3.1 billion for direct loans and $3.6 billion for guaranteed loans. Roughly $81 million in budget authority will be necessary to provide this level of assistance for loans.

Direct Farm Ownership Loans are proposed at a loan level of $1.5 billion. A loan level of $1.46 billion is proposed for Direct Farm Operating Loans. At least 75 percent of the amount appropriated for Direct Farm Ownership Loans and at least 50 percent of the amounts appropriated for Direct Farm Operating Loans will be reserved for qualified beginning and socially disadvantaged farmers and ranchers for the first half of the fiscal year.

For Guaranteed Farm Ownership Loans, the FY 2017 budget proposes a loan level of $2 billion. The requested loan level is expected to meet the increased demand for this program. For

Guaranteed Farm Operating Loans approximately $1.43 billion in loan level is proposed for FY 2017.

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

Within the overall proposal, the budget request includes investments to assist military veterans who are new or beginning farmers, specifically $208 million in direct operating loans targeted to veterans and approximately $1 million in budget authority for guaranteed loan fee waivers for veterans.

For Emergency Disaster Loans, FSA is requesting a $22.6 million loan level. In addition, the budget proposes loan levels of $20 million for Indian Tribal Land Acquisition Loans and $60 million for Boll Weevil Eradication Loans.

Additionally, FSA requests $1.5 million for the Individual Development Account (IDA) grant program to help low-income beginning farmers and ranchers build-up savings to expand their enterprises. The FY 2017 budget also requests $150 million for Guaranteed Conservation Loans and $10 million for the Highly Fractionated Indian Land Program, which is a relending program that provides authority for qualified intermediaries to make loans to eligible purchasers of highly fractionated land under the Indian Land Consolidation Act.

For State Mediation Grants, the FY 2017 budget requests approximately $3.4 million for 38 States to assist in continuing cost-effective alternative dispute resolution programs that deal with disputes involving a variety of agricultural issues.

Salaries and Expenses

The FY 2017 Salaries and Expenses budget is approximately $1.5 billion, including transfers, which is a net increase of $9.3 million from the FY 2016 Enacted level. This requested increase provides support for operating expenses, new beginning farmers and ranchers, and the StrikeForce Initiative and reflects our continued commitment to providing farmers and ranchers with the highest levels of customer service while maximizing resources in the most efficient manner possible.

Operating Expenses

FSA requests an increase of $13 million to support administration of FSA's programs and to ensure that agency operational needs are met to cover several non-IT service contracts. FSA's Human Capital Strategic plan identifies goals for supporting the recruitment, development, and retention of the workforce required to meet FSA's mission. Consistent with the plan, FSA plans to invest in its workforce by providing training opportunities to develop high-performing employees, especially in mission-critical areas. In addition, this increase will provide funding for personnel and physical security programs. FSA aims to heighten focus on personnel security and has been aggressively increasing funding in this area and is on target to be in full compliance with the Federal regulations by the end of FY 2017.

New, Beginning and Veteran Farmers and Ranchers

The request includes a $3.9 million increase to support our outreach efforts for new, beginning and veteran farmers and ranchers. This investment will support three overarching goals to assist new producers in overcoming commonly-cited barriers – the inability to access sufficient capital and to acquire land; a lack of financial literacy and business training; and the lack of mentors. The increase provides for the following: support for a certified training program for all veteran farmers to be prequalified for FSA Direct Farm Ownership (FO) Loans upon completion of the program; 25 new regional coordinators to conduct cross-cutting outreach and farm loan activities in support of Secretarial initiatives; a pilot network of mentors for beginning farmers participating in FSA loan and farm programs; a pilot to support landowners seeking to transition their land to support the next generation of agriculture; and support for youth-serving organizations to conduct targeted outreach.

Strike Force Initiative

The request also includes an increase of $1.5 million and 5 staff years to enhance program effectiveness and coordination through place-based activities. Funding will support a Service Center Agency (SCA) coordination initiative to build upon the success of USDA's StrikeForce and additional place-based activities. The SCA, comprising FSA, Rural Development and Natural Resources Conservation Service, will develop a cadre of field-based staff focused on improving access to USDA programs by persons and communities in persistent poverty areas. USDA's StrikeForce initiative has demonstrated the overwhelming success of this comprehensive approach to Federal engagement in rural America each year by partnering with more than 1,500 community organizations, businesses, foundations, universities, and other groups to support approximately 188,000 projects, investing close to $23.8 billion in high poverty areas.

Information Technology

The FY 2017 budget request includes funding in the amount of $321.5 million for information technology. This will provide resources and services required to ensure core organizational functions and operations, support improved IT management and internal controls and provide for continued enhancements to improve program delivery, including continued support of having the FSA county office serve as a place to go for farmers and other customers looking for information through the bridges-to-opportunity initiative.

Conclusion

Our work at FSA has never been exclusively about providing financial assistance or extending credit - - although we perform those duties quite well, and often far beyond the call of duty. Rather, FSA also is about building local relationships across that well-worn office countertop with the men, women, and families of American agriculture, through our unique network of offices in nearly every rural county across this great Nation. It's because of these personal relationships, across more than 2,100 local county offices, that FSA is known as the "can do" agency of the USDA. With your support, FSA will continue to meet the needs of America's farmers and ranchers, both today and for generations to come.

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