

UNITED STATES DEPARTMENT OF AGRICULTURE

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**For release only by the
Senate Committee on Appropriations**

**Statement by
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Secretary of Agriculture
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies
Committee on Appropriations, United States Senate
June 4, 2009**

Chairman Kohl and distinguished members of this Subcommittee, it is a pleasure to come before this Subcommittee today to discuss the details of the President's 2010 budget request for the Department of Agriculture. I would also like to take this opportunity to provide you an update on our efforts to eliminate wasteful and inefficient spending and to implement the American Recovery and Reinvestment Act (ARRA) of 2009.

I am joined today by Deputy Secretary Kathleen Merrigan; Scott Steele, our Budget Officer; and Joseph Glauber, our Chief Economist.

When I accepted this position, the President outlined three key goals for the Department of Agriculture. First, he is very concerned about the health and welfare of America's children and wants to make sure our children have access to nutritious food. Second, he wants to make sure we do everything we can to expand the capacity of our farms, ranches, and rural communities to produce alternative forms of energy. Third, he wants to make sure we aggressively pursue the research necessary to allow agriculture

to transition away from its significant dependence on fossil fuels. Fulfilling these goals will be a great challenge, particularly in the context of meeting challenges in the Department's other responsibilities including food safety, conservation, trade, and administering the farm safety net. The current economic situation and difficulties of drought and other severe weather faced by large areas of farm country add another level of complexity to the work we have before us.

But, with these challenges come historic opportunities for agriculture and rural America. I look forward to working together with this Subcommittee to fulfill the President's goals and our key responsibilities for the long term benefit of producers and all Americans. We intend to capitalize on these opportunities quickly through a much more effective effort to coordinate programs within the various parts of the Department and with other Federal, State, and local entities.

Over the first 100 days of this Administration, USDA has set out on a new course to promote a sustainable, safe, sufficient and nutritious food supply, to ensure that America leads the global fight against climate change, and to revitalize rural communities by expanding economic opportunities. We have moved quickly to respond to these difficult economic times by creating jobs, increasing food aid to those in need, and revitalizing rural communities. We have also made civil rights a top priority with definitive action to improve the Department's record and move USDA to be a model employer and premier service provider.

I look forward to working with you, Mr. Chairman, and the members of this Subcommittee as we continue our hard work to ensure that USDA is at the forefront of change.

IMPROVING FINANCIAL INTEGRITY:

In order to improve financial integrity of the Department, I directed Subcabinet officials to review their agency's financial activities for wasteful and inefficient spending, and report on "savings" each week. This has been a productive effort, which has resulted in the implementation of more efficient procedures and cost avoidance measures. The Terminations, Reductions and Savings volume of the FY 2010 budget identifies annual savings of \$19.5 million from a sample of the actions USDA agencies have taken. In addition, we will achieve a cost avoidance of \$62 million in lease costs over 15 years as a result of consolidating seven leased facilities located throughout the DC metropolitan area into one location.

As we move forward in implementing the President's agenda, we will continue to root out inefficient management practices and improve our use of funds.

RECOVERY ACT:

Before I delve into the specifics of the 2010 budget, I would like to provide an update on our efforts to implement the American Recovery and Reinvestment Act (ARRA) of 2009.

USDA received \$28 billion of ARRA funding. Of this amount, almost \$20 billion, or approximately 70 percent, is for increasing the monthly amount of Supplemental Nutrition Assistance Program (SNAP) benefits currently assisting over 32 million low-income people and increasing the block grants to Puerto Rico and American Samoa.

The remaining funds are for: supporting nutrition assistance programs that primarily target low-income women, infants, and children; expanding opportunities for broadband service in rural areas; improving community facilities, such as firehouses, libraries, schools, and rural medical clinics; improving drinking water and wastewater treatment; increasing farm assistance; promoting rural economic development; and supporting conservation projects to protect our Nation's forests and farm land.

Since enactment of the Recovery Act, we have:

- Worked with State partners to increase maximum SNAP benefits by 13.6 percent, which translates to an additional \$80 each month for a family of four. We also allocated \$100 million in emergency food assistance through TEFAP, and \$25 million in administrative funds for the Nation's emergency food assistance network;
- Distributed all of the \$173 million in Recovery Act funding for direct farm operating loans that has provided assistance to 2,636 farmers, of which approximately half were to beginning farmers and 22.8 percent were to socially disadvantaged farmers;

- Announced a national sign-up for up to \$145 million in floodplain easements and extended the deadline to ensure landowners impacted by flooding in States like North Dakota and Minnesota are given an opportunity to apply. This will restore and protect an estimated 60,000 acres of flood-prone lands;
- Provided \$45 million for the rehabilitation of watersheds, many of these projects are nearing the end of their 50-year design life. Recovery funds will be used to upgrade structures to current safety standards, thereby protecting life, property and infrastructure downstream for more than 90 years. USDA has also provided \$85 million for 53 new flood prevention project efforts in 21 States and territories;
- Made available about \$760 million in funding to provide safe drinking water and improved wastewater treatment systems for rural towns in 38 States. USDA also received \$2.5 billion for expanding rural broadband into communities that otherwise might not have access. USDA has begun implementation in concert with the U.S. Department of Commerce and is determining the best targeted utilization of the funding. These efforts will create jobs and revitalize rural communities;
- Provided approximately \$60 million in essential community facilities and emergency responder projects to help communities in 39 states; and
- Made approximately \$4.4 billion in guaranteed and direct single family housing loans for over 37,000 loans.

I want to assure this Subcommittee that the Subcabinet, agencies and the Department will be held accountable for not just swift implementation, but also for ensuring the funds are used efficiently and effectively. You should be confident that we are working hard to achieve the President's goals to revitalize the economy.

2010 BUDGET:

The President's 2010 budget, released on May 7, 2009, proposes \$21.3 billion for discretionary programs under the jurisdiction of this Subcommittee, an increase of nearly \$2 billion over the 2009 levels provided in the Omnibus Appropriations Act. This increase is primarily associated with the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), international food assistance, rural development and other priority programs.

The 2010 budget reflects the President's commitment to be transparent to the American people. Our budget accounts fully for the costs to operate the government. In addition, as I had mentioned, we have reviewed all of our operations for wasteful and inefficient spending. Therefore, the 2010 budget reflects a reduction of over \$450 million for the elimination of earmarks and funding for programs that are not as high a priority as others, or programs that provide services that can be supported by other means.

I would now like to focus on some specific program highlights.

NUTRITION:

Consistent with the President's commitment to present an honest, transparent budget, we are including sufficient resources to support estimated participation in the nutrition assistance programs.

For WIC, the budget proposes \$7.8 billion in budget authority to support an average monthly participation of 9.8 million in 2010. This is a total increase of over \$900 million in USDA's largest discretionary program. The budget provides \$225 million in WIC contingency funds, for a total contingency fund of \$350 million with carryover from FY 2009, should costs increase beyond current estimates. Additionally, the budget includes \$30 million to assist States in modernizing and upgrading their management information systems.

On the mandatory side, the budget includes over \$1.8 billion in increases for Child Nutrition Programs, to support the increased level of school lunch participation and food cost inflation. School lunch participation is estimated to grow to about 32.1 million children each school day, with free meal participation increasing from about half of the total meals in FY 2008 to almost 53 percent in FY 2010. The budget includes \$5 million for Hunger-Free Community Grants authorized by Section 4405 of the 2008 Farm Bill and \$0.7 million to expand the HealthierUS School Challenge program. In addition, the Administration is proposing an increase of \$10 billion over 10 years for reauthorization of the Child Nutrition Programs. These increases will support the President's efforts to reduce childhood hunger and obesity by improving access to

nutritious meals, to encourage children to make healthy food choices, and to enhance services for participants by improving program performance and integrity.

For the Supplemental Nutrition Assistance Program (SNAP), the budget includes \$67 billion, including \$5.9 billion in Recovery Act funds, to fully fund estimated monthly participation and provides \$3 billion in contingency funds, for a total contingency fund of \$6.0 billion with carryover from FY 2009, should actual costs exceed the estimated level. Participation in SNAP is estimated to be about 32.6 million per month in 2009, and is projected to increase to 35.0 million in 2010. The Recovery Act benefit increase will remain in place until the normal cost of living adjustment catches up to the higher benefit levels.

The budget proposes discretionary funding for the Commodity Supplemental Food Program (CSFP) at a level needed to maintain the current participation and continues funding for The Emergency Food Assistance Program (TEFAP).

In order to improve the administration of nutrition programs, the budget includes increases in the Nutrition Programs Administration account to improve payment accuracy, advance the use of technology in benefit delivery, and enhance nutrition education.

In 2010, we look forward to issuing the revised *Dietary Guidelines for Americans*, which are the cornerstone of federal nutrition policy and the foundation on which all federal nutrition education, diet and physical activity guidance, and nutrition assistance

programs are built. The process of establishing the *Dietary Guidelines* requires an investment in assessing the most current and credible scientific evidence on which to base them, a function that USDA created and employs through its Nutrition Evidence Analysis Library. USDA will be working to update the nutrition assistance programs to reflect the latest science found in the 2010 *Dietary Guidelines*. Further, the Department will build upon its enormous success in promoting healthy eating habits and active lifestyles with MyPyramid, including enhancements of the interactive and personalized tools, such as the recent MyPyramid for Pregnant and Breastfeeding Women, and MyPyramid for Preschoolers. MyPyramid is an important investment in the fight on obesity and much more needs to be done in this area, and to increase the level of physical activity that Americans engage in on a daily basis.

FOOD SAFETY:

A key responsibility I have is to make sure Americans have safe and sufficient and nutritious food. Although we have a strong food safety system, we need to continue to work to do a better job. We must focus on eliminating hazards before they have an opportunity to make anyone sick, developing technologies that will help us discover risks and allocate resources to reduce this risk, and during outbreaks rapidly identify and respond to incidents of foodborne illness. I am committed to modernizing the food system, focusing on preventing rather than mitigating the consequences of food-borne illness.

For 2010, the budget requests over \$1 billion for the Food Safety and Inspection Service. Not only will this funding will ensure that the demand for inspection is met as it provides for increased investments that will improve prevention, early detection, and mitigation that will reduce the adverse health impacts related to foodborne illness.

The budget includes an increase of \$23 million to improve the food safety Public Health Infrastructure. These improvements will strengthen and secure FSIS' ability to target food safety inspections and investigate food safety outbreaks. In addition, the budget includes an increase of \$4 million for additional food safety assessments. These assessments are conducted by a team of investigators with a broad array of skills necessary to conduct a comprehensive evaluation of an establishment's food safety control system and potential public health risks associated with meat, poultry, and egg products.

The budget estimates that \$153 million in existing user fees for voluntary inspection will be collected. For 2010, we will submit legislation to Congress that would authorize the collection of fees to cover the cost of additional inspection activities necessary for establishments with performance failures such as retesting, recalls, or inspection activities linked to an outbreak.

As a member of the President's Food Safety Working Group, I look forward to working with Secretary Sebelius and others to develop a strategy that will achieve the President's goals to upgrade our food safety laws for the 21st century and ensure that we are not just designing laws that will keep the American people safe, but enforcing

them. The working group will improve coordination between USDA and the Department of Health and Human Services and other Federal food safety agencies. These activities will strengthen our capacity to reduce foodborne illnesses and deaths resulting from foodborne illness.

TRADE:

USDA has an important role in expanding exports for our agricultural products. It is significant that, while the country as a whole has a trade deficit, agriculture has a trade surplus. USDA estimates that the trade surplus for agricultural products will be \$13 billion in FY 2009. To encourage further export expansion for our products, we need to work hard both in Washington and in our offices overseas to ensure continued access to overseas markets. I appreciate the Subcommittee's support in providing additional resources in 2009. Our 2010 budget builds on this foundation with \$16.4 million in additional funds to meet critical needs in the Foreign Agricultural Service. The budget places particular emphasis on maintaining FAS's overseas presence so that its representation and advocacy activities on behalf of U.S. agriculture can continue and on upgrading FAS' information technology infrastructure. These funds are critical to continue our efforts to break down trade barriers that limit our capacity to export, such as the imposition of sanitary and phytosanitary barriers that are not in accord with international standards or science-based. As world market conditions deteriorate under the current financial crisis, we must be especially vigilant to ensure that we keep markets open as we move forward.

Expanding our access to world markets and developing long-term trade relationships continue to be vital components of our strategy to improve the vitality of the farm sector and quality of life in rural areas. Due to the global credit crisis, we have seen a significant increase in demand for export credit guarantees provided through the GSM-102 program. To help meet this demand, the budget provides a program level of \$5.5 billion for CCC export credit guarantees for 2009 and 2010. This is a noteworthy increase in programming from as recently as 2007, when the program registered sales of \$1.4 billion.

INTERNATIONAL FOOD ASSISTANCE:

An important focus of the Department's international work is providing foreign food assistance and promoting agricultural development overseas. The Administration has established the goal of renewing the U.S. leadership role in global development and diplomacy, and fostering world food security. The international food aid programs, such as the McGovern-Dole International Food for Education and Child Nutrition and P.L. 480 Title II programs, contribute to that goal by addressing food insecurity throughout the world and supporting development, health, and nutrition.

In support of those objectives, the 2010 budget increases appropriated funding for the McGovern-Dole program to nearly \$200 million, a doubling of the 2009 enacted level. We estimate the program will assist over 4.5 million women and children during 2010 at that funding level. This is a valuable program that promotes education, child development, and food security for some of the world's poorest children.

For the P.L. 480 Title II program, the budget provides a program level of nearly \$1.7 billion, an increase of \$464 million above the 2009 enacted level. The increase will reduce our reliance on the need for future emergency supplemental funding.

Supplemental appropriations for the Title II program have been requested repeatedly in recent years in response to a substantial growth in emergency food assistance needs.

In that regard, we appreciate the Committee's favorable action on the supplemental request submitted by the President on April 9.

ENVIRONMENTAL SERVICES MARKETS:

The President has made clear his priorities in addressing climate change and expanding our capacity to produce renewable energy. These priorities create significant new opportunities for farmers and ranchers to succeed. The agriculture and forestry sectors hold the potential to deliver substantial emissions reductions, including carbon sequestration, under a national climate change policy and the establishment of environmental services markets. The budget reflects the new course the Administration has set to ensure that America leads the global fight against climate change, and to revitalize rural communities by expanding economic opportunities, while maintaining a sustainable, safe, sufficient and nutritious food supply. To create additional economic opportunities for America's farmers and ranchers, the Administration is pursuing new initiatives that reward producers for sequestering carbon and limiting greenhouse gas emissions by providing mechanisms for producers to generate income through environmental services markets. By seizing the opportunities presented by

environmental services markets, producers will be able to transition away from a dependence on traditional farm programs.

To this end, the budget includes an increase of \$15.8 million to develop markets that reward producers for sequestering carbon and limiting greenhouse gas emissions. This includes \$1.8 million to develop the metrics and certifications associated with the environmental services related to conservation and certain land management activities. We are also requesting an increase of \$9 million to enhance the research and analytical capabilities of the Department related to global climate change and \$5 million to conduct Government-wide coordination activities that will serve as the foundation for the establishment of markets for these ecosystem services.

We need to ensure that farmers and ranchers capitalize on emerging markets for clean renewable fuels and help America reduce its dependency on foreign oil by helping establish the demand necessary to support increased production of biofuels.

RENEWABLE ENERGY:

The 2008 Farm Bill provided significant mandatory funding to support the commercialization of renewable energy. The 2010 budget builds on this investment in renewable energy and biobased activities by requesting discretionary funding to support almost \$780 million in investments, approximately a net increase of about \$275 million from 2009. This includes increases of \$218 million for loan guarantees and \$32 million in grants to support renewable energy and energy efficiency projects under the Rural

Energy for America Program (REAP). This request would more than double the amount of funding made available for REAP under the Farm Bill for 2010. In addition, the budget supports an increase of \$49 million in loan guarantees for the Biorefinery Assistance Program.

The emphasis on renewable energy research will be on production of energy crops. The 2010 budget proposes an increase of \$11 million for the development of new varieties and hybrids of feedstocks with traits for optimal production and conversion to biofuels. The funding will also be used to develop a new data series on the supply and location of commodity production for renewable fuels.

RURAL DEVELOPMENT:

USDA's Rural Development (RD) programs provide essential support to rural America by providing financial assistance for broadband access, housing, water and waste disposal and other essential community facilities, electric and telecommunication facilities, and business and industry.

The 2010 budget includes funding to support over \$21 billion for loans, loan guarantees, and grants for the Rural Development on-going discretionary programs, an increase of \$825 million over 2009. This makes Rural Development one of the largest lenders in the country.

The budget will support over \$7.3 billion in direct and guaranteed single family housing loans that will provide more than 59,000 rural homeownership opportunities. In addition, the budget includes \$1.1 billion, an increase of \$188 million over 2009, to provide for rental assistance payments for 248,000 low-income households that reside in USDA financed multi-family housing and receive such assistance. This is sufficient for the renewal of all expiring rental assistance payment contracts. Rental assistance payments protect the rents of low-income rural residents who live in USDA financed multi-family housing projects. By maintaining these payments, we not only provide support to recipients, but also provide financial stability for multi-family projects that provide affordable housing to 460,000 families who live in these projects.

The 2010 budget maintains significant support for infrastructure programs, such as the Water and Waste Disposal program and the Electric program. The budget funds approximately \$1.6 billion in on-going direct loans and grants, an increase of \$80 million over 2009, for essential water and waste disposal services. This program received an additional \$3.7 billion under the Recovery Act and \$300 million under the 2008 Farm Bill to reduce the backlog of applications. These investments will help bring increased economic benefits to rural America by providing needed water and waste disposal systems and by creating jobs. For the Electric program, the budget provides \$6.6 billion in funding for loans for the construction of electric distribution and transmission systems and to maintain existing generation facilities. This level of funding is sufficient to meet the expected demand for these loans.

Increasing access to broadband service is a critical factor in improving the quality of life in rural America and in providing the foundation needed for creating jobs. The 2010 budget includes funding to support \$1.3 billion for telecommunications loans and grants, including broadband. This funding level, coupled with the additional funding provided for USDA's broadband programs in the Recovery Act, will significantly accelerate the deployment of broadband access in rural America. These investments will increase access to quality broadband service, which is essential to keeping pace in a world that relies on rapid telecommunications.

The 2010 budget also supports \$546 million in direct loans, loan guarantees and grants for essential community facilities, such as health care and public safety facilities; as well as \$993 million in business and industry loan guarantees and \$34 million in zero-interest direct loans for intermediary relending.

To spur the development of small business and value-added agriculture in rural America, the 2010 budget provides a \$63 million increase for rural small business development in the Rural Microentrepreneur Assistance Program (RMAP), which is in addition to the \$4 million in mandatory funding provided by the 2008 Farm Bill. An increase of \$18 million is requested for Value-Added Producer Grants and nearly an \$8 million increase for Rural Cooperative Development Grants.

In keeping with the President's direction to eliminate spending that is no longer needed, the 2010 budget does not provide any funding for the EZ/EC grants for which the statutory authority expires, high energy cost grants which serve a narrow interest

that can qualify for USDA assistance under several Rural Development programs, and grants for public broadcasting digital conversion, which is due to be completed in June 2009.

DIVERSITY OF AGRICULTURAL PRODUCTION:

Consistent with President Obama's desire to invest in the full diversity of agricultural production, the budget focuses greater attention on assisting the organic sector, providing greater assistance to producers of specialty crops, and supporting independent livestock producers.

The budget includes an additional \$2.9 million, a 74-percent increase, in funding for the National Organic Program, which will support enhanced outreach and education and ensure program compliance to maintain labeling credibility.

The budget also includes additional funding for USDA to work with the fruit and vegetable industry to develop, establish, and operate Federal marketing agreements or orders that will involve quality factors affecting food safety for U.S. leafy greens or other fruits and vegetables.

In an era of market consolidation, the Administration will support policies to ensure that family and independent farmers have access to markets, control over their production decisions, and transparency in prices. This includes implementation of Farm Bill-related regulations to enhance enforcement of the Packers and Stockyards Act,

which prohibits unfair, deceptive, and fraudulent practices. For 2010, additional funding is included to strengthen enforcement of the Packers and Stockyards Act. Proper enforcement will ensure a level playing field that fosters fair competition, provides payment protection, and guards against deceptive and fraudulent trade practices in the livestock and meat sectors.

RESEARCH:

USDA's science agencies have been successful in developing innovative research technologies and solutions to deal with the highest priority issues facing American agriculture. Today we are confronted with national and global challenges that will require both an educated workforce and pioneering scientific research to effectively address. The 2010 budget includes proposals to revitalize rural education and confront the challenges of global climate change, bioenergy production and childhood obesity.

Consistent with the President's pledge to make math and science education a national priority at all grade levels and revitalize rural economies, the 2010 budget for the National Institute of Food and Agriculture includes an increase of \$70 million for research, education and extension activities. These funds will be used to provide incentives for educators in rural areas to enhance their teaching skills by establishing Rural America Teaching Fellowships, which will encourage qualified teachers to pursue professional development activities. The additional funding will allow secondary, 2-year postsecondary, and higher education institutions serving rural areas to update and revise their curricula and coordinate research and extension activities in the food and

agricultural sciences. This initiative will also help strengthen the teaching, research, and extension programs in the food and agricultural sciences at 1890 and 1994 Land Grant Colleges and Hispanic-Serving Institutions. Finally, a new competitive grant program, utilizing the existing infrastructure of 1862 and 1890 land-grant institutions, will be implemented to support rural entrepreneurship and sustain jobs in rural communities through training and the creation of web-based tools.

The budget for the Agricultural Research Service (ARS) includes \$37 million in increases for high priority research in areas such as childhood obesity, bioenergy, world hunger, and global climate change. This includes an increase of \$13 million for a major ARS initiative to develop effective sustainable practices to help reduce childhood obesity through preventative measures. As past attempts at treating obesity have proven unsuccessful, research will seek to determine the barriers to individuals in following the healthful eating and physical activity recommendations set forth in the *Dietary Guidelines* as well as study family centered interventions to determine their ability in preventing obesity in children. In conjunction with this effort, ARS will work to develop new healthier foods which increase satiety, decrease caloric density, and increase dietary fiber.

The 2010 budget for ARS also includes an increase of \$11 million to conduct research on the development of new hybrids and varieties of bioenergy feedstocks that have the traits necessary for the optimal production and conversion to biofuels. ARS is uniquely suited to lead this research, because it maintains the National Plant Germplasm Collection, the world's largest seed collection, and administers important

genetic improvement and breeding programs. Research will also focus on developing strategies and technologies that will result in the sustainable, efficient and economic production practices of energy from forestry and agricultural products in ways that maintain the quality of the natural resource base.

As I mentioned earlier, the budget supports research for global climate change aimed at developing mitigation and adaptation strategies through science. The budget proposes increases of \$9 million within ARS to assess and manage the risks of global climate change to agricultural production and \$1.8 million within the Economic Research Service budget to support research on the economics and policies for reducing greenhouse gas emissions.

For the National Agricultural Statistics Service (NASS), the budget includes an increase of \$1.8 million to establish a data series on key elements of bioenergy production and utilization which will be instrumental in developing a renewable energy infrastructure. The budget also includes an increase of \$5.75 million to restore the chemical use data series which will allow the collection of data on major row crops on an alternating year basis. This data series will enable USDA, EPA and others to respond adequately to questions about agricultural chemical use and its possible effects on the environment.

These program increases are offset by reductions in research and extension earmarks and lower priority projects that total about \$260 million.

FARM SAFETY NET:

The President's Budget includes proposals to improve fiscal responsibility, while supporting a robust safety net for producers that provide protection from market disruptions, weather disasters, and pests and diseases that threaten the viability of American agriculture. I want to reassure you that the President's Budget maintains the three-legged stool of farm payments, crop insurance, and disaster assistance.

However, in keeping with the President's pledge to target farm payments to those who need them the most, the budget proposes a hard cap on all program payments of \$250,000 and to reduce crop insurance subsidies to producers and companies in the delivery of crop insurance. Crop insurance costs have ballooned in recent years from \$2.4 billion in 2001 to a projected \$7 billion in 2009. The President's 2010 budget would rein in these costs by saving over \$5.1 billion over the next 10 years. While the budget includes a proposal to phase out direct payments to the largest producers, the Department is prepared to work with Congress and stakeholders as these proposals are considered.

FARM PROGRAMS:

To better respond to the nation's economic troubles, USDA took swift action to implement the Farm Bill, and we will continue to move rapidly to implement the remaining portions of the Farm Bill. To that end, the 2010 budget requests an increase of \$67.3 million to continue the Farm Service Agency's IT modernization effort and activities necessary to stabilize its legacy computing environment. This funding will

supplement the \$50 million provided in the Recovery Act for FSA's IT needs. The combined funds from the Recovery Act and the 2010 budget will allow us to continue to make progress in improving the delivery of farm program benefits, the security of producer information, and the integrity of taxpayer dollars by reducing the potential for erroneous payments. However, additional funding will be required in subsequent years to complete the stabilization and modernization efforts.

FARM CREDIT:

USDA's farm credit programs provide an important safety net for farmers by providing a source of credit when they are temporarily unable to obtain credit from commercial sources. ARRA provided substantial assistance to address the tightening of credit in rural areas as a ripple effect of the Nation's overall credit crisis. Because the demand for credit is still high, the 2010 budget requests funding to support \$4.1 billion in direct and guaranteed farm loans, an increase of \$0.7 billion over the 2009 on-going level.

CROP INSURANCE:

For the Risk Management Agency (RMA), the budget requests \$80 million, an increase of \$3 million over 2009. RMA manages the Federal crop insurance program in partnership with private sector insurance companies. This partnership has been very successful in increasing participation; however, potential instances of fraud and abuse within the crop insurance program continue to be identified. The President's budget

includes an increase of \$1.8 million to provide RMA the resources necessary to address critical compliance needs identified by the Government Accountability Office, the Office of Inspector General, and others. This funding will help to improve the transparency of the crop insurance program and identify those producers, agents, and other program participants who would knowingly defraud the Government.

CONSERVATION:

The Administration fully supports partnering with landowners to conserve land, protect wetlands, improve wildlife habitat, expand hunting and fishing opportunities, and promote other conservation initiatives. In this vein, the proposed budget includes several vital conservation programs, including the Conservation Reserve Program (CRP), Conservation Stewardship Program (CSP), the Environmental Quality Incentives Program (EQIP), and the Wetlands Reserve Program (WRP) that were authorized in the 2008 Farm Bill.

These programs provide a special opportunity to address not only the Nation's most serious natural resource needs but also to facilitate the Administration's goals of increasing energy conservation, improving renewable energy production, and reducing carbon emissions. These programs have also been instrumental in establishing and maintaining USDA's unique partnership with land owners and operators that will be vital to our success in solving or mitigating these serious environmental and energy concerns through voluntary actions.

The 2010 budget reflects a continued commitment to conservation by including nearly \$4.7 billion in mandatory funding for those conservation programs authorized in the 2008 Farm Bill. This will support cumulative enrollment of more than 281 million acres in these programs, a 10 percent increase over 2009. CRP, which accounts for more than 41 percent of total funding for conservation programs, is funded at just under \$2 billion in 2010. This level of funding will support a cumulative enrollment level of 30.4 million acres. The budget proposes spending \$1.2 billion for EQIP, which will support enrollment of an additional 16.8 million acres through cost-share contracts.

Further, the Conservation Stewardship Program (CSP) and the Wetlands Reserve Program (WRP) are funded in the 2010 budget. This includes \$447 million for CSP that will be used to enroll 12.8 million additional acres, and \$391 million for WRP to enroll a projected 152,600 acres. While the projected WRP enrollment in 2010 is slightly below the 2009 level, it is considerably higher than enrollment levels in recent years including more than double the level enrolled in 2008.

The 2010 budget also includes \$907 million in discretionary funding for on-going conservation work that provides high quality technical assistance to farmers and ranchers and addresses the most serious natural resource concerns. This includes discretionary savings of \$75 million from the elimination of duplicative programs and programs that are not as high a priority of other programs, including the Resource Conservation and Development Program and the Watershed and Flood Prevention Operations Program.

CIVIL RIGHTS:

Ensuring equitable treatment of all of our employees and clients is a top priority for me. The 2010 budget includes increased resources to improve our efforts to ensure that all USDA employees and constituents are treated fairly. For too long, the Department has been known for prejudice and discrimination in its employment practices and program delivery. Such practices will not be tolerated while I am Secretary of Agriculture. By holding each USDA employee accountable for their actions and through the implementation of my recently announced civil rights plan, we will strive to make the Department a model agency for respecting civil rights. In support of these efforts, the 2010 budget includes funding to address program and employment complaints of discrimination and to increase the participation of small, beginning, and socially disadvantaged producers in USDA programs.

OUTREACH TO UNDERSERVED CONSTITUENTS:

Another key initiative is expansion of outreach to underserved constituents. The 2010 budget includes funding to support establishment of the Office of Advocacy and Outreach authorized in the 2008 Farm Bill. This office will increase the accessibility of programs to socially disadvantaged producers, small-scale producers, and beginning farmers and ranchers and will provide them an avenue for input into the programmatic and policy decisions to improve their viability and profitability.

The budget also provides the funding necessary to support enhanced government-to-government relations and improve Tribal consultation and outreach activities related to USDA programs. This will enhance USDA's understanding of the diverse needs of Indian Tribes and the impacts of programs on Tribal organizations and communities.

DEPARTMENT MANAGEMENT:

In addition, the budget also supports efforts to improve the management and oversight of Departmental programs. Increased funding is being sought for management priorities, including:

- Instituting a Department-wide cyber security initiative to eliminate critical vulnerabilities that threaten the integrity of the USDA network and the security and privacy of Departmental systems and information. The budget includes an increase of \$45.8 million to ensure that USDA can reliably deliver its broad portfolio of programs in a secure IT environment.
- Providing oversight of program delivery by conducting audits and investigations and limiting fraud, waste, and abuse throughout USDA.
- To make USDA more open and its processes more transparent, the budget includes funding for enhanced communications capabilities; tools for improved public access

to the appeals process; and additional oversight to improve USDA reporting to the public on programmatic spending.

CONCLUSION:

We have begun the process of making tough decisions about where our priorities lie and have made some tough choices about where we spend our resources. These choices reflect the new direction the President wants to take the country at this historic time -- a track that takes the Nation on the path to recovery and provides the foundation and diverse opportunities for farmers and ranchers to succeed.

That concludes my statement. I will be glad to answer questions you may have on our budget proposals.