

**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, U.S. Senate**

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Mr. Chairman and distinguished Members of this Subcommittee, it is a privilege to appear before you today to provide an overview of the Department's proposed budget for fiscal year (FY) 2020. Joining me today are Robert Johansson, the USDA's Chief Economist, and Erica Navarro, USDA's Budget Officer.

When I appeared before you a year ago, I laid out my vision for making USDA the best managed department in the Federal government. Since then, USDA made great strides toward becoming the most effective, most efficient, and most customer-focused department in the federal government. USDA has worked to create rural economic opportunities and improve the quality of life for rural Americans. Rural Development invested in new and improved high-speed e-Connectivity and electricity for 7 million residents and improved water and wastewater infrastructure for nearly 3 million rural customers. USDA also launched an initiative to provide comprehensive and timely support to veterans interested in opportunities in agriculture, agribusiness, and in rural America.

USDA played a significant role in helping rural communities and agricultural producers recover from hurricane-related damage and wildfires. USDA assistance has included providing children affected by Hurricane Florence access to free meals, helping Supplemental Nutrition Assistance Program (SNAP) recipients replace food lost due to power outages, helped businesses and utilities by considering requests to defer principal and/or interest payments, and provided emergency farm loans to impacted operations.

In 2018, the Department worked with Federal partners to deliver new and improved trade deals like the United States-Mexico-Canada Agreement and a re-negotiated United States-Korea Free Trade Agreement and provided trade assistance to farmers due to unjustified trade

retaliation. Efforts to break down barriers and pursue export opportunities resulted in new or expanded market access for numerous U.S. farm products in 2018. USDA sponsored six agricultural trade missions in 2018, enabling more than 200 U.S. companies and organizations to engage in 3,000 one-on-one meetings with foreign buyers, generating more than \$140 million in projected 12-month sales. Similarly, USDA organized exporter participation in 19 trade shows around the globe, where more than 900 U.S. companies introduced 4,500 new products to potential customers and reported \$296 million in on-site sales and \$2 billion in projected 12-month sales.

Since we last met, USDA worked with local school officials to explore reforms that will make school meals more appealing by giving control back to local school food professionals who know the children best. Based on the input received, the Food and Nutrition Service (FNS) finalized a rule to allow for more flexibilities for schools to offer nutritious and satisfying meals to children, reduce food waste, and ease operational burdens for the National School Lunch Program and School Breakfast Program. With a focus on the Administration's priority of moving SNAP participants to self-sufficiency through work, FNS proposed another rule to improve and strengthen our efforts in moving able-bodied adults without dependents participants to work.

We refocused USDA to be more customer-oriented, merging where it made sense to maximize efficiencies, while modernizing and optimizing Information Technology (IT) to improve delivery of services. USDA stood up the Farm Production and Conservation (FPAC) mission area. We also launched the FPAC Business Center in 2018 to eliminate redundant administrative support functions. USDA successfully merged the Agricultural Marketing Service, the Grain Inspection, Packers and Stockyards Administration, and the Farm Service Agency's (FSA) Commodity Operations programs to better meet the needs of farmers, ranchers, producers, and consumers while improving customer service and maximizing efficiencies. We continued efforts to optimize and consolidate Enterprise Data Centers by closing 21 in 2018 which together with prior closures is expected to achieve \$21.5 million in cost savings/avoidance by 2021. We also decreased the number of cybersecurity critical vulnerabilities per endpoint by 62 percent and the number of high-risk vulnerabilities by 73 percent in 2018, decreasing USDA's weaknesses in software or hardware that can be exploited by a hacker. After reviewing the motor fleet, we were able to identify over 4,200 underutilized fleet vehicles (over 10 percent of the USDA fleet) that

are being targeted for disposal, which is estimated to reduce USDA costs by \$26 million in FY 2019 and beyond.

2020 President's Budget

The President's Budget recognizes the overriding need to reduce the Federal deficit, and USDA shares in the responsibility of controlling Federal spending. There are proposals in the budget for USDA that will produce real savings in both mandatory and discretionary spending. The Budget includes proposals to cut programs that achieved their goals or do not work, eliminate wasteful or duplicative spending, streamline government operations, and limit spending to achieve deficit reduction goals. The President's 2020 Budget lays out a vision for a Federal government that is efficient, effective, and accountable.

USDA's total budget authority request pending before this Subcommittee, proposes a total of \$143.2 billion in 2020, compared to \$137 billion in 2019, primarily due to an anticipated decrease in SNAP participation and crop insurance payments. The discretionary appropriation request for this Subcommittee is \$15.7 billion, which is lower than the \$20.2 billion under the annualized continuing resolution for 2019.

For 2020, we will continue to prioritize customer service every day for our customers – the American taxpayers. We will strive to conduct the people's business efficiently, effectively, and with the utmost integrity. We will promote the ability of America's agricultural sector to produce and sell the food and fiber that feeds and clothes the world and to reap the earned reward of their labor. By promoting American agricultural products, we will work to remove obstacles and give farmers, ranchers, foresters, and producers every opportunity to prosper and thrive. Through our programs and working closely with our customers, we will facilitate rural prosperity through the expansion of rural business opportunities and improved infrastructure. We will also work to preserve the land. USDA will continue to ensure that all Americans have access to a safe and secure food supply.

Become the Best Managed Department in the Federal Government

For FY 2020, the President's Budget supports new and continuing investments in IT modernization by USDA to improve customer service and streamline and modernize rural and farm program and service delivery. In addition, the Budget continues support for the business functions of the FPAC Mission Area by streamlining service delivery between FSA, the Natural

Resources Conservation Service, and Risk Management Agency to improve efficiency, effectiveness, and accountability. To maximize the effectiveness of these customer-focused improvements, the Department must modernize its own back-office technology capabilities. The Budget includes an increase of \$31.5 million to begin the transition to a modernized enterprise network in FY 2020.

In the National Capital Region (NCR), the Department is starting the OneNeighborhood initiative to better utilize office space in the Washington, DC Headquarters Complex. The Budget requests \$266 million for the initiative to increase the occupancy capacity through life and health safety upgrades; space reconfigurations; and the replacement of outdated building systems. The efforts will allow the Department to reduce its lease costs in the NCR that amount to approximately \$40 million annually.

In August, USDA announced we would realign the Economic Research Service (ERS) under the Office of the Chief Economist and would relocate both ERS and the National Institute of Food and Agriculture (NIFA) outside of the NCR. Those changes will improve customer service, strengthen offices and programs, and save taxpayer dollars. USDA received 136 expressions of interest submissions from 35 states. The firm Ernst & Young was retained to evaluate and conduct the site selection process. On March 12, we announced 68 expressions of interest remain under consideration. We recognize there are outstanding questions regarding this decision and are committed to an open process as we move forward together to address concerns. The President's 2020 Budget includes an estimate of the funds necessary to move these agencies outside the NCR, but final costs will be dependent on the location selected.

Create Conditions so Agricultural Operations Can Prosper, Fulfilling Their Mission to Feed, Fuel, and Clothe the World

Over the past year, USDA responded to conditions that tested the resilience of American farmers with initiatives to create economic conditions in which they can prosper. With the help of crop insurance, natural disaster assistance programs, and short-term trade mitigation programs, many producers are managing the stresses of these difficult times and are indicating increased optimism, particularly with expectations that trade partnerships will strengthen in the near future. As we implement the 2018 Farm Bill we will work toward achieving the primary goal of farm programs: to help farmers and ranchers manage risks and continue producing food, fiber, and fuel in good years as well as bad. The Budget estimates net CCC expenditures of

\$6.5 billion which includes all the commodity programs, CRP and CCC funded trade programs. This compares to the estimated \$20.9 billion net CCC expenditures that we anticipate in FY 2019, which includes disaster and trade mitigation assistance in addition to the other programs.

In addition to mandatory funding provided by the 2018 Farm Bill, the President's Budget provides resources to help agricultural operations prosper, fulfilling their mission to feed, fuel, and clothe the world. Funding is requested to support the estimated \$7.7 billion demand for farm loans that provide access to credit to about 48,800 producers, 80 percent of whom are beginning farmers and ranchers, veterans, and socially disadvantaged producers. It provides nearly \$1 billion for the Animal and Plant Health Inspection Service to promote the health of animal and plant resources and facilitate their movement in the global marketplace, as well as the welfare of certain animals. For agricultural research and extension activities, the Budget includes a total of \$2.9 billion, including \$500 million for competitive grants through the Agriculture and Food Research Initiative. The Budget includes a total of \$66 million to take ownership of and operational responsibility for the National Bio and Agro-Defense Facility (NBAF), in addition to funding to transition and expand the Agricultural Research Service and the Animal and Plant Health Inspection Service research and diagnostic programs at NBAF.

Expand Foreign Markets and Promote U.S. Products Around the World

USDA is committed to helping U.S. farmers and ranchers identify and access new export markets and expanding trade opportunities. With around 20 percent of farm income derived from exports, it is critical that USDA work with the American food and agriculture community to ensure farmers, ranchers, and food manufacturers and workers can fairly compete against anyone in overseas markets. To support this mission, the Budget includes \$503 million to reduce trade barriers that disadvantage U.S. agricultural exports and to open new markets for U.S. farm products. Within this amount, funding is also requested to preserve or expand trade valued between \$6 billion to \$8 billion through resolution of foreign market access issues. To facilitate exports to buyers in countries that may not have access to adequate commercial credit, the Budget includes a program level of \$5.5 billion for CCC Export Guarantee Programs to provide guarantees.

Facilitate Rural Prosperity and Economic Development

American prosperity and well-being are intrinsically tied to rural America's ability to thrive in the new global economy; to build and attract an educated workforce and expand its population base; and to use its diverse and abundant natural resources to provide food, fiber, forest products, energy, and recreation. Through the Task Force on Agriculture and Rural Prosperity, the Department has identified actions to improve the quality of life and expand economic development in rural communities. Many of these actions are supported through investments made in USDA lending activities to rural utilities and communities and to strengthen investments in housing programs.

The President's 2020 Budget for USDA includes investments to increase prosperity in rural America that are in addition to the Administration's \$200 billion infrastructure proposal. For USDA, the Budget proposes over \$2.9 billion in budget authority to support \$38.3 billion in Federal funds to stimulate public-private partnerships needed to build rural infrastructure including broadband, community facilities, safe and affordable housing, health services and facilities, and provide capacity-building to help underserved communities become thriving communities. This includes \$690 million in loans that enhance telecommunications infrastructure and \$200 million to support loans and grants to support high-speed broadband services to communities with populations under 20,000. The Budget supports \$5.5 billion in loans for rural electric improvements, benefiting rural residents through the expanded use of smart grid technologies. The Budget also includes \$1.7 billion to improve water and wastewater services for 1.5 million rural residents and \$3.1 billion to provide access to improved community facilities for over 5 million rural residents. The budget provides \$24 billion to lenders in providing 160,000 low- to moderate-income households the opportunity to own their primary residence through the single-family housing guaranteed loan program. The budget also includes \$1.4 billion to fully fund multi-family rental assistance grants for about 281,000 contracts.

Provide All Americans Access to a Safe, Nutritious, and Secure Food Supply

A plentiful supply of safe and nutritious food is essential to the healthy development of every child in America and to the well-being and productivity of every family. USDA works to help prevent foodborne illness and protect public health as well as aid access to safe, nutritious, and balanced meals and promote a healthy diet. The Budget includes mandatory funds to support estimated participation levels for SNAP and Child Nutrition programs, and discretionary funds to

serve all expected participants level in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). It also includes the funding needed to meet our responsibility for providing inspection services to the Nation's meat, poultry, and processed egg product establishments.

Program Reforms

The 2020 President's Budget includes legislative proposals to reform programs to better target Federal dollars, while contributing to deficit reduction efforts. This includes several legislative proposals that we also included in the FY 2019 Budget to better target commodity conservation assistance, and crop insurance that would generate savings of \$47.8 billion over ten years compared to current baseline spending. In addition, the Budget proposes to delink the Section 32 program from customs receipts, and replace the receipt funding with direct mandatory appropriation direct from the Treasury. Our proposal funds all of the current Section 32 nutrition programs and provides stable funding for surplus commodity donations the Budget's proposals will ensure stable historical levels of funding for all the nutrition programs that have traditionally benefited from these activities while also increasing transparency, improving operational efficiency, generating savings of \$5.1 billion over 10 years.

The Budget also supports a foundational principle that those who need assistance have access to wholesome and healthy foods. The Budget includes an approach to nutrition assistance that combines the use of traditional SNAP Electronic Benefit Transfer cards with a USDA Harvest Box that contains 100-percent American grown products. States would have the ability to provide choice to their recipients, including innovative approaches for the inclusion of fresh products. In addition, the Budget focuses on innovative administrative reforms on outcome-based employment strategies. The Budget also includes proposals to reserve benefits for those most in need, promote efficiency in State operations, and strengthen program integrity. Specifically, the proposals for SNAP have the potential to reduce waste, fraud, and abuse by limiting opportunities for benefits to be misused or trafficked. Combined, these reforms to nutrition assistance programs maintain the Administration's commitment to ensuring Americans in need of assistance have access to a nutritious diet while reducing the cost to taxpayers by approximately \$216 billion over 10 years.

Disaster Relief

As I mentioned earlier, farmers and ranchers were battered last year by a series of monumental storms, robbing them of their livelihoods and inflicting damage well beyond the financial risks they normally assume in their operations. These are the men and women who dedicate their lives to feeding, fueling, and clothing this nation, and we cannot turn our backs on them when they need assistance. In 2017, Congress provided supplemental assistance for producers who experienced losses not covered by existing forms of relief. USDA stands ready to quickly implement assistance, bolstered by lessons learned, for similar losses in 2018 should Congress decide once again to act.

Conclusion

In the face of a growing national debt, the President has offered a fiscally responsible budget that no longer puts off the tough decisions to future generations. The budget will support a robust economy that created 200,000 jobs in January, with unemployment at 3.8 percent in February. Recent estimates predict Gross Domestic Product will grow at a rate of about 2.5 percent. Nonetheless, according to the US Treasury, the National debt has grown to more than \$22 trillion as of March 15, 2019. The Trump Administration has proposed a budget that is fiscally responsible and no longer puts off the tough decisions to future generations. At USDA, we will do our part to reduce government spending.

I would be happy to answer any questions at this time.